City of Mountain View, California

Fiscal Year 2006-07

Narrative Budget Report– General Operating Fund

CITY OF MOUNTAIN VIEW
MEMORANDUM

DATE: March 30, 2006

TO: City Council

FROM: Kevin C. Duggan, City Manager

SUBJECT: APRIL 4, 2006 STUDY SESSION—TRANSMITTAL MEMORANDUM: NARRATIVE BUDGET REPORT—GENERAL OPERATING FUND

INTRODUCTION

Attached to this transmittal memorandum is the Narrative Budget Report—General Operating Fund for Fiscal Year 2006-07. This Narrative Budget Report outlines the recommended General Operating Fund budget for the upcoming fiscal year and will be presented to the City Council at a Study Session on April 4.

The use of "narrative budgets" is not a typical technique in municipal budgeting. However, we have found it to be a very useful supplement to the formal proposed budget (presented later in the process) in that it identifies and discusses major budget issues in a summary form early in the budget review process. This provides a clearer picture to the City Council and community of major budget issues and trends well in advance of formal budget hearings.

Other components of the annual budget to be reviewed in later stages of the budget process include Enterprise and Special Funds, the Five-Year Capital Improvement Program and the adoption of Major Goals for the upcoming fiscal year.

This transmittal memorandum summarizes the major themes and recommendations included in the Narrative Budget Report—General Operating Fund.

BACKGROUND

The City has been severely challenged in addressing a significant downturn in General Operating Fund revenues which started in Fiscal Year 2001-02. This required a major reduction in General Operating Fund expenditures, including personnel and related services. While this aggressive expenditure management strategy has kept the City financially strong with a balanced General Operating Fund budget throughout this unprecedented period of financial challenge, there has been an inevitable impact on service level and quality.

For the first time in several years, the revenue picture for the General Operating Fund has begun to substantially improve. This allows us to not only cease the continuing erosion of service levels, but to modestly add back to some of the service levels most significantly impacted by past reductions. The City's consistent strategy over the past four fiscal years to keep operating revenues and expenditures in balance in order to allow for a quicker recovery once the economy (and, therefore, local revenues) began to improve, has positioned the City well to take advantage of an improved fiscal condition.

General Operating Fund Revenue/Expenditure Balance

The Economic Stabilization Contingency (ESC) is the difference between projected revenues and projected expenditures in the General Operating Fund. Having an ESC is, in essence, an "overbalancing" of the budget and is a strategy that serves a number of important purposes. The recommended budget includes an ESC of approximately $763,000.

General Fund Operating Revenues

General Operating Fund revenues are projected to total $79.0 million in Fiscal Year 2006-2007. This is an increase of $4.4 million (5.9 percent) over the adopted budget for the current fiscal year and $608,000 (0.8 percent) more than the estimated revenue for the current fiscal year.

The major issues associated with General Operating Fund revenues reviewed in the Narrative Budget Report are the following:

- General Operating Fund revenues are performing substantially better this fiscal year than projected at the time of budget adoption. The major revenue sources with better than expected performance include:

  — Property Tax: +$1,182,000.
  — Sales Tax: +$1,057,000.
  — Transient Occupancy (Hotel) Tax: +$327,000.
  — CIP Overhead Costs Reimbursements: +$1,073,000.

- General Operating Fund revenues are projected to increase next fiscal year by a total of $4.4 million (5.9 percent) compared to this fiscal year's adopted budget. The major areas of change include:

  — Property Tax: +$2,029,000.
  — Sales Tax: +$1,301,000.
  — Transient Occupancy (Hotel) Tax: +$472,000

- Among the factors impacting these revenues are:

  — Anticipated increase to property values from new development in addition to the maximum annual inflation increase of 2.0 percent.

  — An increase in sales tax as a result of the opening of the Charleston Plaza retail complex.

  — The loss of sales/use tax as a result of the closure of the City's last remaining Hewlett-Packard campus.

  — Increased hotel occupancy.

  — Decreased lease income from the Crittenden Site.

  — Partial year income from the California/Bryant Parking Structure retail space lease.

- Separately accounting for revenues and expenditures related to building activity.

If the City Council wished to consider the option of increasing revenues, some alternatives include:

- Increasing the level of cost recovery for fee-based City services.

- Creating a "9-1-1" fee to partially recover the cost of the Emergency Communications Center (annual operating cost of $1.8 million).

- Reviewing the potential of updating/modifying the City's Business License Tax.

- Voter-approved Parcel Tax.

- Lighting/Landscape Maintenance District.

- Downtown Maintenance District.

General Fund Operating Expenditures

The Fiscal Year 2006-07 recommended General Operating Fund budget includes expenditures totaling $78.2 million. This is an increase of $4.7 million (6.4 percent) over the adopted budget for the current fiscal year. The vast majority of the increase is a result of increasing costs for current service levels/staffing. A much smaller portion of this increase is devoted to a modest restoration of service levels in a small number of service areas or high priority service/expenditure enhancements. Operating budget funding is also being partially restored for the annual funding of Retirees' Health Insurance premiums, to the Equipment Replacement Fund and to increase the budget for the purchase of new capital equipment to normal levels. A major uncertainty that will significantly affect the final budget will be the impact of compensation costs associated with yet-to-be-negotiated labor agreements to be effective the beginning of the new fiscal year.

As noted earlier in this report, significant expenditure and service reductions have been required for the last several budgets. These reductions have had varying impacts to services ranging from those that can reasonably be sustained into the indefinite future to those that have had a noticeable negative impact (in some cases greater than anticipated) and that need to be adjusted. As was noted at the time, some of these reductions were undertaken without certainty in regard to their full impact and with recognition that future adjustments would likely be required based on our actual experience. The recommendations in this budget partially address the most significant negative impacts of reductions. The restorations represent a very small percentage of the reductions experienced and only address the highest service needs.

Priority expenditure recommendations include the following:

- **Retirees' Health Insurance Program:** The allocation of additional ongoing funding to partially address the significant underfunding of the "normal costs" of this benefit. Cost: $500,000

- **Equipment Replacement Reserve:** The allocation of additional ongoing funding to begin to restore the annual contribution funding to this "sinking fund" for equipment replacement. An allocation of limited-period funding is also recommended to make the General Fund's full contribution. Cost: $300,000 (operating budget); $672,000 (limited-period funding)

Funding is also being recommended through the Equipment Replacement Reserve to fund the replacement of the entire fire engine/truck fleet totaling $3.7 million.

- **Capital Equipment:** An increase in the annual ongoing funding for new equipment purchases from $200,000 to $400,000 to better address the typical funding need pattern.

- **Development Services:** An additional full-time Senior Planner, Senior Civil Engineer, Building Inspector and Building Fire Code Plan Reviewer are recommended to partially address the currently high level of demand for private development-related services. A total of four additional positions are recommended. General Operating Fund Cost: $252,400 ($191,400 to be recovered from development fees and overhead reimbursement); Building Services Cost: $613,600 (all to be recovered from building fees)

- **Information Technology Services/Organization:** Provides funding for enhanced oversight of the City's technology investments, acquisitions and strategic planning. Cost: $150,000

- **Streets Maintenance:** A Street Maintenance Worker and related supplies to respond to a significant reduction in street/sidewalk maintenance capacity that has had a greater than anticipated impact on sidewalk and street preventive maintenance efforts. Cost: $120,500

- **Parks/Downtown/Landscape Maintenance:** Funding for hourly staff and supplies to address a number of deficiencies relating to park upkeep and cleanliness; athletic field turf condition; downtown cleanliness and street median landscape condition and weed/litter control. Cost: $85,900

- **Police Officer Overhire Position:** Moves one of three overhire positions to the operating fund—the initial step of transitioning the three Police Officer overhire positions from limited-period funding status to the operating budget. Cost: $79,300

- **Charges to Capital Improvement Projects:** Provides funding for positions which are primarily funded through capital improvement projects to charge time for nonproject activities. Cost: $65,000

- **Library Materials Budget:** Funding to begin to address the need for more resources to keep the Library's collection current and reasonably available for a significantly higher number of Library patrons. Cost: $60,000

- **Building Maintenance Services:** Building maintenance/custodian services have been dramatically reduced over the past several years. This limited restoration will help address cleanliness and appearance issues in several City facilities and will also provide needed weekend services. Cost: $56,300

- **Graham Sports Complex Maintenance:** Provides funding for a three-quarter Parks Maintenance Worker position and related supplies for the maintenance of the Graham Sports Complex scheduled to open by September 1, 2006. Cost: $52,000 (reimbursed by Water Utility Funded Graham Site Maintenance Reserve)

- **Paramedic Program Supervision:** Funding to enhance the current supervision and management of the Fire Department's EMS/Paramedic program to assure sufficient oversight and quality control. Cost: $50,000

- **0.33 Assistant City Attorney:** The fourth Attorney position in the City Attorney's Office is currently only funded at a two-thirds level. This allocation would fully restore funding for this position. Cost: $49,700

- **Animal Control Services Contract:** Increases funding for the animal control contract with the City of Palo Alto to more accurately reflect the number of animals handled and contract costs. Cost: $45,000

- **Gang Prevention/Intervention:** A combination of ongoing and limited-period funding is recommended to allow the Police Department to test a number of techniques to help address gang-related issues. This funding will also partially restore resources associated with the previously funded Parks Patrol Program. Cost: $25,000 (operating budget); $25,000 (limited-period funding)

- **New Firefighter Recruitment:** Provides base funding for two recruitments annually and three additional recruitments for Fiscal Year 2006-07. Cost: $16,000 (operating budget); $30,000 (limited-period funding)

- **Devonshire Park Maintenance:** Provides funding for six months of contract maintenance for Devonshire Park (expected to be completed mid-year). A full year of funding will be required next fiscal year. Cost: $8,000 (1/2 year)

- **Library Youth/Children's Services:** Funding to allow the conversion of an existing support position to a Librarian position to meet a substantial increase in demand for youth and children's programs at the Library. Cost: $7,600

The Narrative Budget Report also includes alternative/additional expenditure options. These alternatives identify additional areas where services could be enhanced that, while desirable, were not deemed to be of sufficient priority to fund, recognizing the limited resources available for service enhancement/restoration.

Reserves

The General Operating Fund Narrative Budget Report includes significant recommendations regarding a restructuring of General Fund reserves. A primary recommendation is a reduction/consolidation of reserve categories. Additionally, it is recommended that the level of General Fund "contingency/emergency" funding be increased. It is also recommended that the Budget Transition Reserve that has been in place during the last few fiscal years of budget challenges be eliminated and that additional funding be allocated to the Strategic Property Acquisition Reserve. Special purpose reserves (such as Workers' Compensation and Liability Self-Insurance) are being analyzed and may be rebalanced to conform to funding and policy levels. A summary of the major recommendations is as follows:

- Consolidation of the current General Fund Operating Contingency, General Fund Long-Term Contingency and General Fund Revenue Stabilization Reserves into one General Fund Reserve. The General Fund Reserve would be set by policy at 25.0 percent of General Operating Fund expenditures. The current level of the three reserves represents approximately 21.4 percent of recommended expenditures.

- Elimination of the Budget Transition Reserve and transferring its funds to the unallocated balance for reassignment to other reserves.

- Increasing the Strategic Property Acquisition Reserve by $7.6 million in order to fully fund the acquisition of the Moffett Gateway properties from Santa Clara County and the State of California.

CONCLUSION

The City's General Operating Fund has finally begun to recover significantly after four years of revenue decline/limited growth. For the first time in several years the City is not required to reduce General Operating Fund-supported expenditures and services in order to adopt a balanced budget for the upcoming fiscal year. While the City has been able to maintain a strong financial position through aggressive expenditure reductions, the 10.0 percent-plus reduction of the City's workforce and additional reductions in other expenditure categories has impacted City services and employee workloads. The recommended budget includes a modest restoration of funding in the areas where the reductions have had the most negative impact on City services. Additionally, a few service enhancements are recommended in only the most important service areas. Recognizing that a full quarter of the current fiscal year remains, it is likely that both revenue and expenditure estimates will change prior to the presentation of the proposed budget to the Council in early June.

The staff and I look forward to presenting these recommendations to you on April 4.

Prepared by:

Kevin C. Duggan
City Manager

KCD/4/CAM
614-04-04-06M^

Attachment: Narrative Budget Report—General Operating Fund

Attachment

CITY OF MOUNTAIN VIEW
MEMORANDUM

DATE: March 30, 2006

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FROM: Kevin C. Duggan, City Manager

SUBJECT: NARRATIVE BUDGET REPORT—GENERAL OPERATING FUND

INTRODUCTION

This memorandum presents the Narrative Budget Report—General Operating Fund for Fiscal Year 2006-07 and outlines the recommended General Operating Fund budget and related issues for the upcoming fiscal year. It has been the City's practice to initially present major budget recommendations in this format with the City's more detailed program-based budget presented later in the budget process. This technique, while more work-intensive, provides the City Council and community a comprehensive preview/summary of the major budget issues to be included in the formal proposed budget. These issues are also summarized in a manner to focus on key policy issues and to do so earlier in the budget process. It is often possible to "miss the forest for the trees" in traditional detailed budgets.

A change in recent years is to present the Narrative Budget Report for the General Operating Fund approximately a month earlier (April versus May) than has traditionally been the practice. This schedule modification has provided the City Council with even more time to consider and review major budget recommendations and alternatives prior to the June budget hearings.

This report, outlining the major budget recommendations relating to the General Operating Fund for the upcoming fiscal year, will be presented in Study Session to the City Council on April 4. The City's recommended budget pertaining to Special and Utility Funds will be presented in a separate report to be reviewed with the City Council at a Study Session on May 2. The recommendations made in these two Narrative Budget Reports will then be incorporated into the proposed budget document to be published in late May and considered at the City Council's annual budget hearing on June 6. The budget is scheduled for final adoption on June 13.

Additionally, the City Council will be reviewing a proposed update to the City's Five-Year Capital Improvement Program in Study Session on April 18 and will also be following up its initial Fiscal Year 2006-07 goal-setting workshop (held on February 21) leading to adoption in May of major goals for the upcoming fiscal year.

Background

The City has been severely challenged in addressing a major downturn in General Operating Fund revenues since they reached a high point in Fiscal Year 2000-01. Fiscal Year 2001-02 and Fiscal Year 2002-03 brought an unprecedented decline of $12.0 million (14.5 percent) to General Operating Fund revenues. This required a major reduction in General Operating Fund expenditures, including personnel and related services. While during Fiscal Years 2003-04 and 2004-05 revenues began to slowly recover, they did not grow sufficiently to cover even inflationary increases in costs. This resulted in further budget reductions, including additional position eliminations. Yet further reductions were made in the current fiscal year's budget. Therefore, the City has experienced four straight years of budget and service level reductions. During this period, a net 66.25 full-time equivalent positions have been eliminated equating to 10.2 percent of the City's workforce (an 11.2 percent reduction to General Operating Fund staffing). There have also been many nonpersonnel expenditure reductions, including reductions to operating budget funding for the replacement of capital equipment, reduced funding of new equipment and a wide variety of supply and services expenditures. All City departments have been impacted with the average reduction per department being in excess of 15.0 percent (with some departments experiencing reductions of 25.0 percent or more).

While this aggressive expenditure management strategy has kept the City financially strong with a balanced General Operating Fund budget throughout this unprecedented period of financial challenge, there has been an inevitable impact on service level and quality. The City Council and staff have worked very hard, and have generally been successful, in minimizing the impact on direct services to the public. However, impacts in essentially all service areas have been inevitable. Of note is that total City staffing is now below Fiscal Year 1990-91 levels (excluding golf), even though the City has expanded services (such as youth and paramedic services), facilities (parks, trails, library) and has greatly expanded the use of technology since that time. Additionally, front-line Police Officers and Firefighters have increased by 19 over this period. It is clear that services and staffing in a variety of departments are significantly "stretched" at this time.

The City's financial challenges have been exacerbated over the last several years by actions of the State of California to transfer away City revenues in order to address the State's financial challenges. It has been extremely difficult to deal not only with our local economic challenges, but also to have to adjust to the State not taking responsibility to balance its own budget without raiding local revenues.

The State's most recent transfer of City revenues to address State fiscal problems (ERAF III) is ending this fiscal year as a result of the passage of Proposition 1A in November 2004. ERAF III cost the General Operating Fund $1.4 million in revenue this fiscal year and a total of $2.8 million over the two-year period it was in place (Fiscal Years 2004-05 to 2005-06). The cumulative impact to all City funds over these two fiscal years was $7.0 million. These lost revenues were "backfilled" in the General Operating Fund budget over the two fiscal years by City reserves, due to their temporary nature, in order to avoid further budget reductions. Of note, the City will continue to lose in excess of $4.0 million of property tax revenues annually as a result of earlier (and continuing) State ERAF actions.

For the first time this decade, the revenue picture for the General Operating Fund has begun to substantially improve. Projections for the current fiscal year (ending June 30, 2006) are that General Operating Fund revenues will increase 5.1 percent over current fiscal year's adopted budget. This allows us to not only cease the continuing erosion of service levels, but to modestly add back to some of the service levels most significantly impacted by past reductions. While caution needs to be exercised, recognizing that we do not know how sustainable this improved revenue performance will be in the long term, it provides a welcome relief from further budget/service reductions. While we will, of course, always seek and take advantage of potential additional efficiency opportunities, we will not be required to make further undesirable expenditure/service reductions for Fiscal Year 2006-07.

Of particular note is the City's consistent strategy over the past four fiscal years to maintain operating revenues and expenditures in balance in order to allow for a quicker recovery once the economy (and, therefore, local revenues) began to improve. This has positioned the City well to take advantage of improved fiscal conditions.

Included in the recommended budget are modest and limited service/expenditure restorations in only the highest priority areas. There are many other legitimate and justifiable service needs that cannot be addressed even with an improved financial condition. It is unknown when, if ever, we will be able to return to the staffing and service levels last experienced in Fiscal Year 2001-02.

Additionally, City reserves remain strong due to the City avoiding the use of reserves to backfill a revenue shortfall to balance the budget over the past several fiscal years. This report also recommends a series of changes to reserve balances and allocations.

General Operating Fund Revenue/Expenditure Balance

The current fiscal year's budget was adopted with an Economic Stabilization Contingency (ESC) of $1.4 million ($1.1 million excluding building services). The ESC is the difference between projected revenues and projected expenditures in the General Operating Fund. This is, in essence, an "overbalancing" of the budget and is a strategy that serves a number of purposes. While it is my view that larger ESCs than have been able to be incorporated in recent budgets are desirable, that has not been possible without even more severely impacting service levels.

Among the purposes of an ESC are:

- To help respond to unanticipated permanent increases in operating costs;
- To help protect against the impact of lower than projected revenue performance; and
- To increase the end-of-year carryover balance to help replenish reserves and fund capital improvement projects.

The budget for the current fiscal year, excluding building activity, was adopted with projected revenues ($74.6 million) exceeding budgeted expenditures ($73.5 million) by $1.1 million. Current estimates are revenues will exceed budget by $3.8 million and will total $78.4 million. Expenditures are currently estimated to total $71.3 million ($70.7 million after the $629,000 net change for encumbrances), $2.2 million below budget, resulting in an estimated operating balance of $7.7 million (excluding building activity).

The recommended budget currently projects an ESC for Fiscal Year 2006-07 of $763,000. This number will change as revenue and expenditure projections are further refined later in the budget process. The City Council could increase this ESC by approving a lower expenditure total than recommended or by authorizing additional revenues. The City Council could also chose to lower the ESC as a result of approving expenditures at a higher level than recommended.

GENERAL OPERATING FUND

Prudent budgeting practice (as well as the City's financial policies) requires that operating revenues match or exceed operating expenditures. That is, ongoing (versus one-time or limited-period) revenues equal or exceed ongoing expenditures. This results in a budget that is not artificially balanced by one-time or limited-period revenues. The City of Mountain View has been successful in complying with this policy, even during the recent period of significant revenue declines.

As discussed in the transmittal letter and the introduction section, the City has struggled to balance the operating budget since Fiscal Year 2002-03, and it has been necessary to eliminate positions and reduce programs. However, current fiscal year revenues are exceeding budget and next fiscal year's revenues are projected to be sufficient to fund the expenditure recommendations and allow for a modest Economic Stabilization Contingency.

Included in this report is a recommendation to separate the revenues and expenditures related to building activity from the General Operating Fund in order to better track and account for them. Moving to this type of financial accounting for development activities is a way to better manage staffing and cost recovery during variable development cycles. All the General Operating Fund numbers presented in this report are net of the revenues and expenditures related to building activity. Attachment A discusses this recommendation in greater detail.

A comparison of the prior fiscal year audited, current fiscal year adopted and estimated to Fiscal Year 2006-07 recommended for the General Operating Fund follows (amounts in thousands):

	2004-05 Audited	2005-06 Adopted	2005-06 Estimated	2006-07 Recommended
Revenues	$74,411	74,609	78,405	79,013
Expenditures	66,276	73,520	71,290	78,250
Balance	8,135	1,089	7,115	763
Encumbrances	181	-0-	629	-0-
Operating Balance	$ 8,316	1,089	7,744	763

General Operating Fund Revenues

Fiscal Year 2005-06 Revenues

General Operating Fund revenues were adopted at $74.6 million for the current fiscal year. At this time, staff is estimating revenues will total $78.4 million, $3.8 million (5.1 percent) higher than the adopted budget. All the main revenue categories are estimated to meet or exceed budget except Use of Money and Property (the yield on the investment portfolio is slightly less than what was anticipated in the budget).

Fiscal Year 2006-07 Recommended Revenues

General Operating Fund revenues are projected at $79.0 million for the 2006-07 fiscal year, $608,000 more than the $78.4 million currently estimated for Fiscal Year 2005-06, and $4.4 million higher than the Fiscal Year 2005-06 adopted revenue. The current fiscal year activity and assumptions for the most significant revenue sources will continue to be evaluated and projections will be revised if warranted later in the budget process.

A comparison of major General Operating Fund revenue categories for the prior fiscal year audited, the current fiscal year adopted and estimated and the upcoming fiscal year recommended, is summarized as follows:

(Amounts in Thousands)

	2004-05 Audited	2005-06 Adopted	2005-06 Estimated	2006-07 Recommended
Revenues:				
Property Taxes	$15,502	19,750	20,932	21,779
Sales Tax	14,852	15,607	16,664	16,908
Other Taxes	7,376	7,209	7,525	7,990
Use of Money and Property	9,128	8,374	8,294	8,492
Other Revenues	25,493	21,609	22,930	21,784
Loan Repayments	2,060	2,060	2,060	2,060
Total Revenues	$74,411	74,609	78,405	79,013

A more detailed review and discussion of estimates and recommendations for each of the major General Operating Fund revenue categories is as follows:

Property Taxes

(Amounts in Thousands)

	2004-05 Audited	2005-06 Adopted	2005-06 Estimated	2006-07 Recommended
Secured	$12,665	17,209*	18,010*	18,998*
Unsecured	1,592	1,590	1,550	1,580
Other	1,245	951	1,372	1,201
Total Property Taxes	$15,502	19,750	20,932	21,779

*Reflects change in State law replacing VLF revenue loss due to a tax reduction with an increased property tax allocation.

The County establishes a taxable assessed value roll at the beginning of each fiscal year, which is used to bill property owners. The County later remits the appropriate share of property tax revenue to local agencies. The total assessed value in the City's General Fund Tax District increased 5.6 percent for the 2005-06 fiscal year, a combination of increases in both residential and commercial secured values and unsecured values. Current fiscal year property taxes are estimated to be $1.2 million higher than adopted budget and represent approximately 26.7 percent of total General Operating Fund revenues.

For the upcoming fiscal year, General Operating Fund secured property taxes are projected to rise $1.8 million compared to the current fiscal year adopted. This is based on a projected secured assessed value increase of 5.0 percent for residential property and 4.0 percent for commercial property, which includes a combination of the annual inflation factor (maximum 2.0 percent) in accordance with Proposition 13 and changes in ownership that have occurred since the Fiscal Year 2005-06 tax roll was established. Unsecured property tax (i.e., removable equipment and fixtures used in business) is projected to be at approximately the same level as estimated for the current fiscal year.

Other property taxes are estimated at $421,000 over adopted budget, primarily as a result of higher than anticipated supplemental tax. This tax is assessed on properties that experience a change of ownership and the new assessed value is not captured on the secured tax bill. For Fiscal Year 2006-07, this revenue is projected at $171,000 below the current fiscal year estimate. This revenue is budgeted conservatively as the remittance depends on the timing of the County in recording and processing the ownership change and then billing the new owner.

Sales Tax

(Amounts in Thousands)

	2004-05 Audited	2005-06 Adopted	2005-06 Estimated	2006-07 Recommended
Sales Tax	$14,852	15,607	16,664	16,908

Over the past four fiscal years, the City's sales tax base has evolved from being highly concentrated in the commercial/industrial sector to a mix of retail (60 percent) and commercial/industrial (15 percent). This is a more desirable mix as it provides greater stability in this revenue category than otherwise would be if it were dominated by one single volatile segment of the economy.

Beginning last fiscal year, the State diverted 25.0 percent of local sales tax to repaying deficit financing bonds. This loss is offset each fiscal year with an increased allocation of property tax and is included in the figures above.

For the current fiscal year, sales tax is estimated to exceed budget by $1.1 million (6.8 percent). Over the past several years, new businesses have located in Mountain View, and overall sales have increased. At the end of March, the State will be remitting the quarterly reconciling payment with supporting detail provided to the City the following week. Staff will be reviewing this data and revising the current fiscal year estimate and upcoming fiscal year recommended sales tax as appropriate.

The City was recently notified that Hewlett-Packard will be closing its last campus located in Mountain View by the end of this calendar year. However, the Charleston Plaza development will soon be completed and open with four major retail tenants. These changes, plus an overall 4.0 percent growth, result in a recommended net increase of $244,000 (1.5 percent) over the current fiscal year estimate.

Other Taxes

Another major source of General Operating Fund revenue is the group of revenues categorized as Other Taxes: Transient Occupancy (Hotel/Motel), Business License and Utility Users Taxes.

(Amounts in Thousands)

	2004-05 Audited	2005-06 Adopted	2005-06 Estimated	2006-07 Recommended
Hotel/Motel	$2,583	2,558	2,885	3,030
Business License	222	220	220	220
Utility Users	4,571	4,431	4,420	4,740
Total Other Taxes	$7,376	7,209	7,525	7,990

This category of revenues was budgeted at $7.2 million for Fiscal Year 2005-06. The current estimate of $7.5 million is $316,000 (4.4 percent) higher than the adopted budget. The Hotel/Motel Tax has been steadily increasing over the last four quarters due to the combination of a new hotel and overall increased occupancy. Business License and Utility Users Tax are estimated to be on target with budget.

Total Other Taxes are projected at $8.0 million for the upcoming fiscal year, a $465,000 (6.2 percent) increase over the current fiscal year estimate. A continued increase in Hotel/Motel Tax is projected, as well as an increase in Utility Users Tax.

Use of Money and Property

Use of Money and Property includes Investment Earnings and Rents and Leases.

(Amounts in Thousands)

	2004-05 Audited	2005-06 Adopted	2005-06 Estimated	2006-07 Recommended
Investment Earnings	$3,362	3,563	3,375	3,731
Rents and Leases	5,766	4,811	4,919	4,761
Total Use of Money and Property	$9,128	8,374	8,294	8,492

Use of Money and Property includes investment earnings generated by the General Fund's share of the City's pooled investment portfolio and revenue from rental and lease agreements for City-owned properties.

Investment earnings were budgeted at $3.6 million for the current fiscal year based on an assumed average interest yield of 3.75 percent. Investment earnings are currently estimated at $3.4 million, reflecting the 3.63 percent average yield based on the earnings to date. Although short-term interest rates have continued to rise, the yield for longer-term securities the City invests in has risen slower than projected for budget purposes. The recommended budget assumes an interest yield of 3.75 percent, reflecting the slowly changing market.

The Rents and Leases category records income from the use of City properties, including lease income from Goldman Sachs for the Charleston and Crittenden sites, and from Clear Channel for the Shoreline Amphitheatre. For Fiscal Year 2005-06, this revenue category is estimated at $4.9 million, $108,000 (2.2 percent) higher than budget, the net of lower revenues related to the Amphitheatre and higher rents from the Goldman Sachs lease. The amount of bookings at the Amphitheatre continues to decline, reducing revenue. However, the decline in the Crittenden lease payment will occur in January 2007, not January 2006, as was anticipated for the current fiscal year budget.

The 2006-07 fiscal year projection for Rents and Leases totals $4.8 million, $158,000 less than the current fiscal year estimate. This reflects the net of a $305,000 loss of lease revenue from the Crittenden site lease, a slight increase in the level of bookings at the Amphitheatre, and the revenue anticipated upon the opening of Longs in the leased space of the new parking structure. Fiscal Year 2006-07 revenue anticipates an April 2007 opening for Longs and only three months of rent. However, the lease will generate approximately $252,000 annually.

The Crittenden site lease commenced in January 1997 and provides for a base rent of $19 per square foot with a 4.0 percent rent escalation each year. The initial annual rent was $1.4 million and the annual rent for the current fiscal year is estimated to be $2.1 million due to the cumulative rent escalations. This lease will reach its 10-year anniversary in January 2007 and contains a provision requiring a revaluation to market rent on the 10-year anniversary. It is not expected the revaluation will be completed prior to budget adoption. For budget purposes, it is assumed this lease rent will fall to the minimum level of $19 per square foot, resulting in a $305,000 loss for Fiscal Year 2006-07 and a cumulative full-year decline of $623,000 in Fiscal Year 2007-08.

Staff has included the annually recommended fee modifications to specific fees in this category as detailed in Attachment B.

Other Revenues

The next major category of General Operating Fund revenue is Other Revenues: Franchise Fees, Licenses and Permits, Fines and Forfeitures, Intergovernmental, Service Charges, Miscellaneous and Interfund Revenues/Transfers.

(Amounts in Thousands)

	2004-05 Audited	2005-06 Adopted	2005-06 Estimated	2006-07 Recommended
Franchise Fees	$ 2,992	3,166	3,175	3,278
Licenses and Permits	162	184	157	163
Fines and Forfeitures	614	645	599	546
Intergovernmental	5,503	973	1,227	1,140
Service Charges	2,557	2,539	2,661	2,579
Miscellaneous	1,505	1,187	1,056	1,085
Interfund Revenues/Transfers	12,160	12,915	14,055	12,993
Total Other Revenues	$25,493	21,609	22,930	21,784

This category of revenues was budgeted at $21.6 million and is currently estimated at $22.9 million, $1.3 million (6.1 percent) higher than budget. The majority of this variance is attributable to the high level of capital improvement projects which are generating more than budgeted overhead reimbursement to the General Operating Fund. The projection for Fiscal Year 2006-07 is $21.8 million. A discussion of the components of this revenue category is as follows:

- Franchise Fees are on target with budget. Franchise fees are projected to increase by $103,000 (3.2 percent) over the estimate for Fiscal Year 2005-06.

- Licenses and Permits and Service Charge revenue (excluding building services) is estimated to be $95,000 (3.5 percent) higher than budget for the current fiscal year, the net of gains from developer reimbursements related to gatekeeper projects offset against revenue not realized for some Recreation programs. However, most of this Recreation revenue is for programs that have not yet been implemented and no expenses incurred, so there are also salary or contractual savings.

  For the upcoming fiscal year, $18,000 of Senior Center facility use revenue is included. This anticipated revenue will offset an equivalent amount of recommended expenditures for a Senior Center Building Attendant. If the facility is not rented, there will not be any revenue or expense incurred. The Senior Center facility use fee schedule is in the process of being developed and will be reviewed with the Parks and Recreation Commission and Council at a later date.

Staff has included annually recommended fee modifications to specific fees in this category as detailed in Attachment B.

- Fines and Forfeitures are estimated at $46,000 (7.1 percent) below budget for the current fiscal year, due to lower false alarm fee revenue. Revenues for next fiscal year are projected to decline again slightly.

  Staff has included annually recommended fee modifications to specific fees in this category as detailed in Attachment B.

- Intergovernmental revenue includes payments from other governmental agencies, of which Motor Vehicle License Fees (VLF) is the major contributor. This category is $254,000 (26.1 percent) higher than budget due to a combination of higher than anticipated mandate reimbursement, Police Officer Standards and Training (POST) reimbursements and grants. The projection for Fiscal Year 2006-07 declines $87,000 (7.1 percent) from the current fiscal year estimate, reflecting a lower level of grants anticipated to be received and no POST reimbursement revenue. POST reimbursements can be difficult to budget as the amounts, if any, to be received are uncertain.

- Miscellaneous revenue is estimated to fall below budget by $131,000 (11.0 percent) for the current fiscal year. This is primarily the result of lower reimbursement payments from the Amphitheatre for Police services. Since there are fewer performances, less safety services are required resulting in a correspondingly lower level of Police Department expenditures. Miscellaneous revenue for next fiscal year are recommended at approximately the same level as the current fiscal year estimate.

  Staff has included annually recommended fee modifications to specific fees in this category as detailed in Attachment B.

- Interfund revenues result from internal charges for staff time, building space and maintenance services provided to other funds and capital projects by the General Operating Fund departments. The cost of the internal support provided to other funds is calculated in the City's A-87 Cost Allocation Plan (Plan) and an estimated $7.9 million will be allocated to the Revitalization Authority, Shoreline Golf Links, Parking District, Shoreline Regional Park (North Bayshore) Community and the

Enterprise (Utility) Funds as calculated in the Plan. The revenue is recommended at the same level for the upcoming fiscal year.

There is also a General Operating Fund administrative charge assessed for eligible capital project expenditures. This charge, estimated at $2.7 million for the current fiscal year, funds the indirect costs of capital projects such as purchasing, accounts payable, payroll, legal services and other internal support, to bring the support of capital projects to full cost recovery. This reimbursement is projected to decline by $1.1 million in the upcoming fiscal year as major projects generating the high level of reimbursement in the current fiscal year will be completed.

Interfund Transfers include transfers between the General Operating Fund and a variety of other funds. The current fiscal year estimate is slightly higher than the adopted budget due to increased cable franchise revenues. The Fiscal Year 2006-07 is projected essentially the same as the current fiscal year estimate, primarily due to increases in cable franchise fees and building reimbursement offset by the lower amount recommended to be transferred from the PERS Liability Reserve. As PERS rates will be lower next fiscal year, less supplemental funding will be required for the excess rate over normal cost.

For Fiscal Year 2006-07, the General Operating Fund's share of the cable franchise is projected to increase $50,000 over the current fiscal year adopted. However, as previously discussed with Council, legislative initiatives currently under discussion in Congress and elsewhere may in the near future limit local governments' cable franchising authority and result in cable operators being relieved of franchise-related obligations, including the payment of franchise fees to communities in which they operate. This places approximately $650,000 of annual General Operating Fund revenue at risk.

Loan Repayments

Loan repayments from the Shoreline Regional Park (North Bayshore) Community and the Revitalization Authority are categorized as General Operating Fund revenues:

(Amounts in Thousands)

	2004-05 Audited	2005-06 Adopted	2005-06 Estimated	2006-07 Recommended
Shoreline Regional Park Community	$1,894	1,894	1,894	1,894[1]
Revitalization Authority	166	166	166	166[2]
Total Loan Repayments	$2,060	2,060	2,060	2,060

[1] Final payment Fiscal Year 2015-16.
[2] Final payment Fiscal Year 2018-19.

Estimated loan repayments are as adopted and there is no change projected for Fiscal Year 2006-07.

Fiscal Year 2006-07 Revenue Recommendations

Departments have completed the annual review of fees and a discussion of recommendations can be found below. A table comparing the current fees to the recommended fees can be found in Attachment B.

- Community Development

  Planning fees are recommended to be increased to recover the cost-of-living adjustment for staff providing these services.

- Community Services

  Recreation program fees are recommended to be increased by CPI as previously directed by City Council. In addition, the department is recommending an Internet transaction fee to be charged for on-line registrations.

- Fire

  Fees are recommended to be increased by the CPI.

- Library Services

  A new fee for use of the Training Center is recommended.

- Public Works

  Public Works fees are recommended to be increased to reflect the current cost of construction and recover the cost-of-living adjustment for staff providing these services.

Unlike recent years, no significant fee changes/restructuring are recommended for the upcoming fiscal year's budget.

General Operating Fund Expenditures

The expenditures in the General Operating Fund support some of the most valued services provided by the City, such as public safety, the maintenance and preservation of the investment in City public facilities and the provision of quality-of-life amenities.

The budget challenge for the upcoming fiscal year is to utilize the projected revenue to fund the highest-priority needs. Recommendations presented in this document include restoration of some positions eliminated in prior fiscal years, particularly those that support development activity and are recovered by fees; increases in the annual funding for equipment replacement and capital outlay; increasing funding for the annual costs of the Retirees' Health Insurance Program; and maintaining a modest Economic Stabilization Contingency.

A comparison of the major General Operating Fund expenditure categories for the prior fiscal year audited, current fiscal year adopted and estimated to the Fiscal Year 2006-07 recommended follows (amounts in thousands):

	2004-05 Audited	2005-06 Adopted	2005-06 Estimated	2006-07 Recommended
Expenditures:				
Salaries and Benefits	$51,876	57,364	54,667	60,446
Services and Supplies	11,775	13,296	13,505	13,992
Capital Outlay/Replacement	631	600	858	1,100
Debt Service	1,019	1,024	1,024	1,020
Self-Insurance	975	1,236	1,236	1,692
Total Operating Expenditures	$66,276	73,520	71,290	78,250

The favorable variances between budget and estimated are primarily the result of salary savings from vacant positions with some additional savings from underspending in various supplies and services budgets. All departments are currently trending at or below budget.

Expenditure Recommendations

While the City has been prudent in making the necessary reductions over the last four fiscal years to maintain a balanced operating budget, these reductions have had an inevitable impact on service levels and quality. The recommendations contained in this budget provide a modest restoration of service levels to areas of highest priority. Operating budget funding is recommended to increase for equipment replacement, new capital equipment and annual Retirees' Health Insurance costs. See additional discussion on these topics in the organization-wide expenditure issues section of this report.

Over the last four fiscal years, a net 66.25 positions (10.2 percent) have been eliminated, most from the General Operating Fund. This budget recommends adding a net 7.25 positions as well as 1.86 hourly full-time equivalents. Four of the permanent positions are related to development activities (two of these are for building services). Most of the hourly staffing is related to parks, roadway landscape and athletic field maintenance.

As can be seen in the detail of the next section of this report (the recommendations by department), the priority service areas being addressed in this budget include:

- Development services
- Information technology
- Streets maintenance
- Parks/downtown landscape maintenance
- Library materials/collection
- Building maintenance services
- Paramedic program
- Gang prevention/intervention

Organization-Wide Expenditure Issues

In addition to specific department issues, there are a number of nondepartmental expenditure issues, including organization-wide expenditure changes that restore funding eliminated in prior fiscal years.

- Compensation

  Personnel costs are the largest component of the City's budget. Estimated increases to such costs are incorporated in the recommended budget. These estimates will need to be further refined later in the budget process due to a number of variables that are subject to further definition. Among these variables are yet-to-be negotiated compensation increases for several employee organizations and yet-to-be received rate changes for the City's group insurance policies (health insurance, dental insurance, etc.).

- Capital Outlay

  In Fiscal Year 2002-03, the base amount of capital outlay, included in the General Operating Fund, was reduced by $100,000 (from a total of $500,000) due to budget constraints and was further reduced $200,000 in Fiscal Year 2003-04. Staff has limited the number of equipment purchases over the last four fiscal years in order to meet this lower level of funding. Staff recommends increasing the base level of capital outlay by $200,000 to $400,000, which is believed to be a more sustainable level. This amount represents approximately 0.5 percent of the operating budget.

- Equipment Replacement

  Replacement of equipment is actively managed and equipment is not replaced until required and has reached the end of its useful life. In addition, the estimated useful life of equipment has been extended where realistic and possible, and, where applicable, equipment has been reduced correspondingly with reductions in personnel. These savings, in conjunction with some accumulated investment earnings, had previously resulted in a significant build-up of funding in this reserve. Therefore, in Fiscal Year 2002-03, the General Operating Fund's annual contribution to the Equipment Replacement Reserve was reduced $500,000 (from a total of $1.6 million) and was reduced by an additional $500,000 in Fiscal Year 2003-04 as a budget reduction measure. These reductions, in conjunction with other measures, reduced the contribution from the General Operating Fund to the current annual contribution of $400,000. The reductions in annual funding over the past four fiscal years provided a means to assist in balancing the budget during this period of financial challenge and was feasible as there were surplus funds available in the reserve. However, funding now needs to be incrementally restored in order to maintain the financial integrity of the reserve.

  During the current fiscal year staff reviewed the cost methodologies, useful life assumptions and annual contributions to the Equipment Replacement Fund to reassess the funding requirement. Staff has determined this fund can no longer sustain the replacement schedule over time without restoring annual contributions. For Fiscal Year 2006-07, the General Operating Fund's contribution is recommended to increase $300,000 to a total of $700,000, and it is also recommended that $672,000 of carryover be provided in order to fully fund the General Fund's annual share. The proposed strategy is to increase the General Operating Fund's share by $200,000 annually over the next few fiscal years until the General Fund's annual contribution is entirely funded from the operating budget. Recommended replacements for Fiscal Year 2006-07 total $6.2 million and includes $3.7 million for the replacement of the fire fleet (see Attachment C).

- Retirees' Health

  In Fiscal Year 2002-03, the General Operating Fund's contribution toward Retirees' Health Insurance premiums was reduced $430,000 and the premiums were funded from investment earnings on the reserve balance. Based on the updated actuarial report, the continual rise in Retirees' Health Insurance costs and to partially address the recently estimated $2.0 million annual "normal cost," staff is recommending increased funding of $500,000 from the General Operating Fund (for a total of $1.0 million). A more detailed discussion on Retirees' Health can be found in the Reserve section of this report and in Attachment D.

- Funding of Nonprofit Organizations

The Community Health Awareness Council (CHAC) has requested a 5.0 percent increase ($3,700) and the recommended budget includes this request. CHAC requested and received a 10.0 percent increase for the current fiscal year and a 5.0 percent increase for the prior fiscal year. As Council adopted a two-year funding cycle for other nonprofit agencies, the total amount of funding to all other social service nonprofit organizations is to remain at the current level for another fiscal year. CHAC is funded separately since it is a joint powers agency (JPA) of which the City is a member.

- Cable Television

Although funding for cable television public access services is not part of the General Operating Fund, it should be noted there are some changes recommended to be included in the budget for cable television. The transfers to the General Operating Fund from cable franchise revenues increase as franchise revenues increase. Overall, cable franchise revenues are expected to increase by $50,000 and, thus, the transfer to the General Operating Fund for Fiscal Year 2006-07.

There are also recommended capital expenditures totaling $19,100 for funding towards the upgrade of Council Chambers audio/visual equipment and $15,000 limited-period funding for outside legal services related to telecommunications issues.

- CDBG Funding

Currently, 20.0 percent of CDBG program funding and 10.0 percent of HOME program funding are allowed for administrative costs. For the current fiscal year, staff anticipated a shortfall in administrative funding due to reduced CDBG/HOME program funds granted from the Federal Government. Based on the reduced CDBG/HOME program funds granted for Fiscal Year 2005-06 and the increase in salaries and benefits (mainly due to retirement and health-care increases) for staff, the portion of funding allowed for administrative costs could no longer fully fund the 1.7 positions budgeted. As a result, a portion of staff time was transferred to the Below-Market-Rate Housing Fund to reflect actual staff time spent administering that program. For Fiscal Year 2006-07, CDBG/HOME program grant funds are being reduced again and staff recommends transferring an additional portion of staff time to the Below-Market-Rate Housing Fund and the Housing Set-Aside Fund to reflect actual staff time spent administering those programs. This is approximately $5,900 to the Below-Market-Rate Housing Fund and approximately $28,800 to the Housing Set-Aside Fund.

GENERAL FUND: SHORELINE GOLF LINKS

Shoreline Golf Links is an 18-hole course designed by Robert Trent Jones II & Associates and was completed in 1983. The course is open to the public 364 days a year with an average of 72,000 rounds of play annually. The City manages the course and has funded major renovations over the past decade.

Although Shoreline Golf Links is a General Fund program, it is tracked and reported separately for management information purposes and to provide a more comprehensive overview of its operations.

A comparison of the prior fiscal year audited, the current fiscal year adopted and estimated to the upcoming fiscal year recommended for the Shoreline Golf Links follows (amounts in thousands):

	2004-05 Audited	2005-06 Adopted	2005-06 Estimated	2006-07 Recommended
Revenues:				
Investment Earnings	$ 80	101	87	90
Green Fees	2,101	2,132	2,163	2,163
Rental Fees	296	298	328	335
Driving Range	391	403	398	406
Retail Sales	352	340	363	376
Other	188	174	155	155
Total Revenues	3,408	3,448	3,494	3,525
Operating Expenditures	3,273	3,593	3,337	3,661
Operating Balance	135	(145)	157	(136)
Capital Projects	(71)	-0-	-0-	-0-
Funding for Recreation Programs	-0-	(100)	(100)	(100)
Excess (Deficiency) of Revenues	64	(245)	57	(236)
Beginning Balance	1,970	2,034	2,034	2,091
Ending Balance	$2,034	1,789	2,091	1,855

This operation was budgeted with a $245,000 gap between revenues and expenditures recognizing there would be operational savings to offset the gap. As can be seen on the table above, the fund is estimated to end the fiscal year with a positive balance of revenue over expenditures.

Rounds reached a peak of 76,000 in Fiscal Year 2001-02 and steadily declined since then to the 66,300 rounds played during the 2004-05 fiscal year. Based on current fiscal year activity, the number of rounds is estimated to increase to 68,100 (2.7 percent). The other revenue-generating areas, with the exception of lessons, are exceeding budget. However, weather is a very significant factor and there have been many days of rainy weather in recent weeks.

Current fiscal year operating expenditures are estimated at $3.3 million, $256,000 less than the budget of $3.6 million. This reflects savings in staffing resulting from a vacant position, wages and miscellaneous operational savings. Included in operating expenditures is $398,000 to reimburse the cost of administrative support provided by the General Operating Fund. The estimated revenue-over-expenditure balance is $57,000 after funding the $100,000 transfer in support of recreation programs. Shoreline Golf Links is estimated to end the current fiscal year with a balance of $2.1 million.

Revenues for Fiscal Year 2006-07 are projected to total $3.5 million, essentially the same level as the current fiscal year, and operating expenditures are recommended at $3.7 million. There are no recommended expenditure adjustments to golf course operations for Fiscal Year 2006-07.

An outside operational review was initiated earlier this fiscal year. The report is in the process of being finalized, and any recommendations may impact the Fiscal Year 2006-07 budget.

There are several pieces of equipment recommended to be replaced (from the Equipment Replacement Fund):

— Trim Mower: $29,000

— Fairway Aerator: $25,000

— Heavy-Duty Utility Vehicle: $20,000

— Greens Aerator: $14,000

— Walk-Behind Mower: $7,000

Golf course equipment, with a current estimated replacement value of approximately $1.3 million, was added to the Equipment Replacement Fund in Fiscal Year 2000-01 similar to other City equipment. The annual contribution to the fund for Fiscal Year 2006-07 is recommended at $147,000. Also included in Fiscal Year 2006-07 operating expenditures is $398,000 for reimbursement of administrative support provided by General Operating Fund departments such as the City Manager's Office, City Attorney's Office, Finance and Administrative Services and Community Services Departments.

The golf course contribution for the Retirees' Health Insurance Program is still being evaluated. Recommendations later in the budget process will impact both operating costs and the operation's year-end balance.

The operating balance for Fiscal Year 2006-07 is projected at a $136,000 deficit; however, it is anticipated there will be operational savings again to at least partially offset this deficit. The fund is projected to end Fiscal Year 2006-07 with a balance of $1.9 million.

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RECOMMENDATIONS BY DEPARTMENT

This section of the report details the recommendations by department and includes summary comments of the impacts to departments and service levels (highlighted in italics). This is the first year in four fiscal years there are no recommended budget reductions driven by a lack of sufficient revenue. As stated previously, prudent financial decision-making over the past four fiscal years has placed the City in a good fiscal position. Departments have requested increases necessary to maintain services and, in some areas, to address significant service issues. Although the City cannot afford all of the requests, increases of approximately $2.0 million are recommended, $1.4 million General Operating Fund and $613,600 related to building inspection capacity. The recommended building increases are offset by building services fees and charges. General Operating Fund increases that are not offset by revenue total $1.1 million, which represents 1.4 percent of total operating expenditures. Other worthy but lower-priority requests have been listed separately for Council's information.

Recommended capital improvement projects for Fiscal Year 2006-07 are not outlined in this report but will be reviewed by the Council at the upcoming Capital Improvement Program Study Session on April 18, 2006.

CITY COUNCIL

The City Council is the legislative and policy-making body for the City, having responsibility for enacting City ordinances, appropriating funds to conduct City business and providing policy direction to administrative staff.

The Council Procedures Committee will be reviewing the City Council's budget and any recommendations will be presented later in the budget process. Staff does recommend limited-period funding of $11,400 for Councilmember per-term allowance for the three Council seats up for election this November. Reductions over the past four fiscal years total $31,600 or 14.0 percent.

- Newly Elected Council Per-Term Allowance (Limited-Period Funding): $11,400

  Per Council Policy A-2, each Councilmember is to receive an allowance of $3,800 per term for certain types of office equipment necessary to allow Councilmembers to perform their elected official duties and communicate with the public and staff. *Provides tools for effective communication.*

Total City Council Limited-Period Funding Expenditures: $11,400

CITY CLERK'S OFFICE

The City Clerk is responsible for facilitating the conduct of business by the City Council and fulfilling legal requirements as set forth in the City Charter, City Code and State law. The City Clerk's Office coordinates City elections, and administers campaign and financial disclosure laws; maintains a record of all proceedings of the City Council; processes assessment districts, annexations, deeds, tax cancellations, appeals and initiative petitions; administers the selection process for Council appointment of members to City boards, commissions and committees; and provides support for Sister City activities. The City Clerk's Office also provides administrative assistance to the Council, maintains the City Code, administers oaths or affirmations, and indexes City contracts and agreements; maintains official City records, provides certified copies thereof and provides information to the public regarding the legislative operations of government.

No ongoing change is recommended for the City Clerk's Office budget for the 2006-07 fiscal year. However, staff does recommend limited-period funding for the General Election this November. Reductions over the past four fiscal years total $130,100 or 27.0 percent and include the reduction of 1.5 positions from the General Operating Fund.

- General Election November 2006 (Limited-Period Funding): $170,000

  Provides funding to conduct the November 2006 municipal election.
  Enables 2006 City Council election to occur.

Total City Clerk's Office Limited-Period Funding Expenditures: $170,000

CITY ATTORNEY'S OFFICE

The City Attorney's Office defends and prosecutes all civil actions and proceedings to which the City is a party and prosecutes all criminal actions involving the City Code. The Office represents and advises the City Council, boards, commissions, departments and all City officials in matters of law related to the conduct of City business.

The City Attorney's Office drafts necessary legal documents, ordinances, resolutions, contracts, other documents pertaining to the City's business and handles claims against the City. The Code Enforcement Section is responsible for enforcing City Code provisions relating to zoning, neighborhood preservation, vehicles on private property and other Code sections as necessary. The Office also provides legal services in connection with the Shoreline Regional Park (North Bayshore) Community, Downtown Parking District and Downtown Revitalization Authority.

Recommended increases to the City Attorney's Office budget total $56,700. Staff is also recommending limited-period funding of $12,000. Reductions over the past four fiscal years total $174,400 or 15.0 percent and include the reduction of 1.0 position and the unfunding of 0.33 of a position from the General Operating Fund.

- Reinstate Assistant City Attorney Position to Full Funding: $49,700

  Provides funding to reinstate the Assistant City Attorney position to full funding. In Fiscal Year 2002-03, staff recommended not funding positions as a means to reduce expenditures without having to eliminate positions at the beginning of the fiscal downturn. The following fiscal year, as the financial state of the City did not show signs of improving, all of the "unfunded" positions, with the exception of 33 percent of the Assistant City Attorney position, were eliminated, and this 33 percent position has remained unfunded since that time. Staff is recommending the Assistant City Attorney position return to full funding to address workload. *Maintains desired level of service.*

- Code Enforcement: $7,000

  Provides increased funding of $5,000 for contract code enforcement attorney services and $2,000 for code enforcement training. *Maintains desired level of service.*

Total City Attorney's Office Operating Adjustments: $56,700

- Recodification Review Services (Limited-Period Funding): $12,000

  Provides funding for outside review of City Code to identify sections requiring updating. Actual recodification will be done by staff. *Allows staff to start recodification process.*

Total City Attorney's Office Limited-Period Funding Expenditures: $12,000

CITY MANAGER'S OFFICE

The City Manager's Office provides professional leadership in the administration of all City services, activities and facilities and directs the execution of policies and objectives formulated by the City Council; develops and presents to the City Council recommendations and strategies in response to community issues; and plans and executes programs to meet the current and future needs of the City of Mountain View.

Specifically, the City Manager's Office supports the City Council in the preparation of City Council meeting and study session agendas and reports; administers the City's cable television franchise and contract with KMVT; serves as a liaison and coordinates the delivery of youth services in the community; manages issues relating to NASA Ames Research Center and Moffett Federal Airfield; disseminates information about City services and issues to the community through a public information program, including a multi-language community outreach component; coordinates the City's environmental compliance issues; provides staff support to the Human Relations Commission; coordinates child-care issues; and promotes the City's best interests in interactions with other levels of government, including a legislative response program.

Recommended increases to the City Manager's Office budget total $6,000. Reductions over the past four fiscal years total $381,500 or 27.6 percent and include the reduction of 2.6 positions from the General Operating Fund.

- *The View*: $6,000

  Provides additional funding for printing services and postage due to cost increases of production and distribution of *The View*. *Maintains desired service level.*

Total City Manager's Office Operating Adjustments: $6,000

EMPLOYEE SERVICES DEPARTMENT

The Employee Services Department recruits and tests personnel; manages labor relations, equal employment opportunity and employment development activities; coordinates organizational development efforts, including new employee orientations and training programs; administers the City's compensation and benefits program; and conducts special studies and new programs in order to improve the quality of service to employees and the public.

Recommended adjustments to the Employee Services Department budget total a reduction of $24,200 due to a midyear reorganization of clerical staff resulting in the reduction of 0.50 position. Staff is also recommending limited-period funding of $15,000. Reductions over the past four fiscal years total $209,900 or 17.1 percent and include the reduction of 0.5 position from the General Operating Fund (in addition to the 0.5 reduction in this recommended budget).

- Executive Assistant Position (1.0): ($35,800)

  Eliminates the Executive Assistant position in the Employee Services Department. This reduction is offset by the addition of a 0.50 Personnel Technician position and the reclassification of an Office Assistant I/II position to Office Assistant III. *Reduces clerical staff and relies on efficiencies.*

- Miscellaneous Ongoing Increase: $6,000

  Increases budget for service award gifts, reclassification reviews/salary surveys, testing services and employee recognition week. *Relies on outside assistance to handle increased workload and maintains desired level of service.*

- Assessment Centers: $5,600

  Provides increased funding for assessment centers. The number of assessment centers requested for hiring and promotion has increased. Assessment centers are generally used for Police and Fire promotions. *Maintains desired level of service.*

Total Employee Services Department Operating Adjustments: ($24,200)

- Leadership/Succession Planning (Limited-Period Funding): $15,000

  Provides funding for programs related to leadership and succession planning. Over the last few years, the City has recognized a need for succession planning due to the number of projected retirements in key positions over the next several years. *Allows the department to provide training opportunities during the upcoming fiscal year.*

Total Employee Services Department Limited-Period Funding Expenditures: $15,000

FINANCE AND ADMINISTRATIVE SERVICES DEPARTMENT

The Finance and Administrative Services Department is responsible for administration of the financial affairs and internal support activities of the City; provision of financial/analytical support to all City departments and programs; managing the City's investment portfolio, coordinating the City's budget process and annual independent audit. More specifically, the department processes payroll, accounts receivable, utility billings, all City revenues, accounting entries, accounts payable and financial reporting. The department is also responsible for the administration of Information Technology, Document Processing, Purchasing, Risk Management and other internal support functions. In addition, the department provides staff support to the Council Finance Committee and Investment Review Committee.

Recommended increases to the Finance and Administrative Services Department's budget total $267,200. Staff also recommends limited-period funding of $20,000. Reductions over the past four fiscal years total $932,000 or 14.3 percent and include the reduction of 6.75 City positions and 3.0 contract staff from the General Operating Fund.

- Information Services/Technology Management: $150,000

  Provides funding for enhanced oversight, management and strategic planning for information services/technology issues. The City currently outsources the information technology function. These funds would provide a City position to provide oversight for long-term planning and operations of the Information Technology Division. This position would also review the current organization and make recommendations for the Fiscal Year 2007-08 budget. In Fiscal Year 2003-04, the Information Technology contract was reduced $275,000 and management oversight was assigned to a City staff position. In Fiscal Year 2005-06, that staff position was reclassified downward and oversight responsibilities were shifted to other management staff, making it more difficult to stay abreast of the latest technology and long-term planning with departments. *Provides more oversight for long-term planning and provides appropriate resources for managing the information services contract.*

- Hardware/Software Maintenance: $52,100

  Provides funding of $46,200 for maintenance of new hardware/software purchased over the last fiscal year such as the City's new web site, the Fire Department's timecard reporting software and the Police Department's time reporting software. Also provides increased funding of $5,900 for annual increases to existing hardware/software maintenance contracts. Maintenance for most of the City's software/hardware is centralized in the Information Technology budget. *Maintains desired level of service.*

- Information Services Contract: $45,000

  Provides for an estimated 3.5 percent cost-of-living adjustment. The Information Technology contract expires this June 30 and staff is currently reviewing alternative service delivery models. *Maintains current level of service.*

- Copier Lease: $10,100

  Provides funding for an additional copier to be located in the basement of the Police/Fire Administration Building and to upgrade one of the copiers in Community Development. The transfer of Fire staff to the fourth floor of City Hall creates the need for an additional copier which was once shared by staff. Both copiers will be upgraded to include scanning, networking and color capabilities. The City-wide copier lease is budgeted and managed by the Finance and Administrative Services Department. *Improves copier capabilities to allow staff to be more efficient.*

- Internet Access Speed/Capacity: $10,000

  Provides funding to provide more broadband for the City's Internet access. The many demands on Internet access have slowed Internet speed to an unacceptable level. These funds would provide two additional T-1 lines for the Library and City Hall to expand the current capacity and increase speed. *Maintains desired level of service.*

Total Finance and Administrative Services Department Operating Adjustments: $267,200

- Hotel Compliance Audit (Limited-Period Funding): $20,000

  Provides funding to perform a compliance audit of half of the hotel/motels in the City. These audits are performed on hotel/motel operators every three years to ensure compliance. *Ensures hotel/motel* *operators are in compliance with City ordinance and all required hotel tax is being received by the City.*

Finance and Administrative Services Department Limited-Period Funding Expenditures: $20,000

COMMUNITY DEVELOPMENT DEPARTMENT

The Community Development Department is responsible for the review of development and building activity to ensure compliance with zoning and building codes, economic development goals, General Plan policies, the California Environmental Quality Act (CEQA) and community values. The department assists the community in establishing land use and neighborhood plans and ensures the quality of new projects through the design and development review process. The department staffs the Environmental Planning Commission (EPC), the Council Neighborhoods Committee, the Downtown Committee and the Visual Arts Committee in addition to establishing and maintaining communications with citizens, developers, businesses, other governmental agencies and City departments.

Recommended increases to the Community Development Department's budget total for $744,800, $131,200 in the General Operating Fund and $613,600 from building permit and plan check fees. All of the increased expenditures for building are offset by building services revenue and will be reviewed annually. The net increase to the General Operating Fund is $13,200. Reductions over the past four fiscal years total $969,700 or 24.7 percent and include the reduction of a net 4.2 City positions from the General Operating Fund.

- Senior Planner Position (1.0): No Net Cost

  Adds a Senior Planner position at a cost of $118,000. The cost of this position is offset by development cost recovery and other revenue. The number of cost-recovered planning projects is greater than anticipated for the current fiscal year. The complexity of projects has required more of City staff time while the outside contract planners originally intended for this purpose have backfilled for permanent staff. During the current fiscal year, it is estimated that 1.7 full-time equivalent Planner positions will spend time on these projects. Budgeted development cost recovery revenue is currently tied to budgeted outside contract planners. Staff is recommending that 0.8 of a full-time equivalent Planning position also be tied to these revenues (see Attachment E). *Maintains acceptable level of service.*

- Miscellaneous Ongoing Increases: $7,200

  Provides additional funding for advertising related to development and for a CPI increase for the mediation services contract. *Maintains desired level of service.*

- Staff Training/Professional Meetings Expense: $6,000

  Provides additional budget for training and professional meeting attendance for staff. This budget was reduced in prior years from $18,000 to $9,000. This recommendation will restore the budget to $15,000. *Restores resources to develop the professional skills of existing staff.*

- Building Services: No Net Cost

  Adds one Building Inspector position at a cost of $110,000, one Fire Code Plan Reviewer position at a cost of $137,400, increases the budget for contract building inspection and plan check services by $316,000, permit system maintenance/support by $35,000 and other building-related budget by $15,200. All of these increases are fully offset by development revenue. Development activity is expected to continue at current levels. *Maintains acceptable level of service.*

Total Community Development Department Net Operating Adjustments: $13,200

No Community Development Department Limited-Period Funding Expenditures

PUBLIC WORKS DEPARTMENT

The Public Works Department plans, designs, reviews, constructs, operates, maintains and improves the City's infrastructure, facilities, utilities, property and equipment and provides other services, including solid waste management, traffic engineering and private development permits. The department consists of four divisions as discussed below.

The Transportation and Property Services Division includes the City's liaison on regional transportation issues, manages real property transactions, department grant initiatives, conducts policy and legislative analyses and supports the Council Transportation Committee, Bicycle/Pedestrian Advisory Committee, Neighborhood

Traffic Management Program and the Solid Waste Management Program. The Engineering Division consists of Construction Engineering, Design Engineering, Capital Projects, Traffic Engineering and Operations. The Business and Internal Services Division provides budget development and financial reporting services, capital improvement financial planning, contract management and information systems support, manages occupational safety programs, the City facilities maintenance program and fleet services. The Public Services Division operates and maintains the City's infrastructure, including water and wastewater systems, streets and sidewalks, and closed landfills. The division consists of Streets and Utilities Maintenance, Engineering and Environmental Compliance, and Landfill Maintenance.

Recommended increases to the Public Works Department budget total $376,200. These increases are offset by revenue increases of $73,400. The net increase to the General Operating Fund is $302,800. Reductions over the past four fiscal years total $1.3 million or 16.0 percent and includes the reduction of a net 13.77 positions from the General Operating Fund.

- Streets Maintenance Worker Position (1.0) and Related Supplies: $120,500

  Adds one Streets Maintenance Worker position at a cost of $80,500 and additional materials at a cost of $40,000. This additional position and materials will reestablish a second Street Maintenance crew. This second maintenance crew will concentrate on pavement preparation (grading, excavation), sidewalk repairs and supplement crack sealing efforts. A second crew provides a greater level of productivity and efficiency and will partially address maintenance deficiencies resulting from previous reductions (see Attachment F). *Restores a portion of maintenance capacity to Streets.*

- Reduce Staff Time Charged to CIPs: $65,000

  Adds staff time to the General Operating Fund currently charged to CIPs. All of the Capital Project Managers and some of the Design Engineers are fully charged to CIPs. This allows staff to work on non-CIP-related projects when required. *Appropriately realigns staff time to operations.*

- Senior Civil Engineer Position (1.0): $61,000

  Adds one Senior Civil Engineer position at a cost of $134,400 to be offset by $73,400 in development cost recovery and other revenue.

The complexity/volume of development and building activity has increased without corresponding increases to staff. This position will help address the demands of increased private development projects and reduce permitting delays associated with this volume (see Attachment E). *Provides staff resources needed for development review.*

- Janitorial Services: $56,300

  Provides a cost-of-living adjustment of $19,700 as stipulated in the janitorial services contract. Provides an additional $36,600 for supplies, special cleaning requests, floor care and weekend service for those buildings open on the weekend. *Improves current level of service to a more appropriate level.*

Total Public Works Department Operating Adjustments: $302,800

No Public Works Department Limited-Period Funding Expenditures

COMMUNITY SERVICES DEPARTMENT

The Community Services Department is responsible for delivery of recreation programs and services and for the maintenance of City-owned parks, roadway landscaping and street trees. In addition, the department is responsible for the continued development and operation of the City's 650-acre Shoreline at Mountain View Regional Park, for the programming and operation of the Mountain View Center for the Performing Arts, and for the maintenance and operation of Shoreline Golf Links.

Recommended increases to the Community Services Department budget total $173,000. These increases are offset by increased revenue of $70,000. The net increase to the General Operating Fund is $103,000. Staff also recommends limited-period funding of $27,600. Reductions over the past four fiscal years total $1.4 million or 14.4 percent and include the reduction of 8.85 positions from the General Operating Fund.

There are no recommended adjustments in golf course operations at this time. An operations review by an outside consultant was initiated during the current fiscal year. The consultant is in the process of finalizing his report and recommendations resulting from this review may bring forth recommendations to the budget. Reductions in golf course operations over the past four fiscal years total $290,600 or 10.5 percent and include the reduction of 3.75 positions.

- Graham Sports Complex Maintenance: No Net Cost to the General Operating Fund

  Adds a 0.75 Parks Maintenance Worker position at a cost of $60,400, eliminates contract maintenance of $15,000, provides ongoing funding of $3,300 for materials and supplies, and provides limited-period funding of $3,300 for equipment. All costs are offset by revenue from the Graham site Maintenance Reserve funded by the Water Enterprise Fund. *Provides resources needed to maintain the Graham site.*

- Downtown Maintenance: $19,800

  Provides increased funding of $9,800 for hourly assistance and $10,000 for materials. Extends weekday and weekend maintenance during the summer/fall season by two months to address litter, broken glass, grease spills, cigarette butts, etc., and to clean infrastructure amenities such as kiosks and bus stops (see Attachment G). *Restores desired level of service and will improve the appearance of the downtown area.*

- Senior Center Rental Program Wages: No Net Cost

  Provides funding for building attendant hours at a cost of $18,000 to be fully offset by rental revenue. This is for a half-year of expanded rental operations. The second half will be requested in the Fiscal Year 2007-08 budget. *Provides resources for an expanded rental component of the new Senior Center.*

- Parks Maintenance: $17,900

  Provides 800 more labor hours to begin to partially reestablish baseline maintenance service levels existing prior to Fiscal Year 2002-03. Also provides increased funding of $2,200 for materials and supplies used to maintain parks. Provides increased maintenance at barbecue areas, rest room servicing, inspection and cleaning of play areas, graffiti and litter control, weed control, and drinking fountain maintenance (see Attachment G). *Restores a portion of the funding reduced in prior years for seasonal labor.*

- Athletic Field Maintenance Labor Hours: $15,700

  Provides 800 labor hours for additional seasonal laborer specifically targeted at athletic field maintenance in North and South Parks to renovate turf playfields, recondition baseball and softball fields and replace irrigation parts. Maintenance will include aerating, fertilizing, reseeding, painting and minor repairs to keep the athletic facilities in safe condition for use and to prevent unscheduled closures for repairs (see Attachment G). *Restores a portion of the funding reduced in prior years for athletic field maintenance.*

- Roadway Landscape: $13,800

  Provides 500 labor hours to the roadway landscape maintenance programs during the spring and summer months to address median maintenance cycles and prior year service area expansions (Ellis Street and Evelyn Avenue). Also provides increased funding of $4,000 for preemergent supplies to control weeds (see Attachment G). *Restores a portion of the funding reduced in prior years for seasonal labor.*

- Contract Ranger Services: $9,200

  Provides funding of $2,600 for an annual cost-of-living increase and $6,600 for additional ranger hours. This would extend current ranger patrol and barbecue area oversight services at Rengstorff and Cuesta Parks by two hours each weekday between May and October. Prior year budget reductions significantly reduced ranger patrol services. *Restores a portion of the funding reduced in prior years for ranger patrol services.*

- Devonshire Park Maintenance and Operations (1/2 year): $8,000

  Provides funding for the maintenance of the new mini park on Devonshire Avenue. The park is scheduled to be open by the end of 2006; therefore, only half the funds needed are recommended for Fiscal Year 2006-07. An additional $8,000 will be recommended for Fiscal Year 2007-08. *Provides maintenance for a new park.*

- Miscellaneous Ongoing Increases: $7,200

  Provides funding for special events supplies and contract landscape maintenance and parcel landscape maintenance contract increases. *Maintains desired level of services.*

- Recreation Activity Guide Printing: $6,400

  Provides funding for increased cost of printing the Recreation Activity Guide. *Maintains desired level of services.*

- Irrigation System Operations (1/2 year): $5,000

  Provides half-year funding for the centrally located irrigation system which will begin operation the beginning of 2007. The remaining amount will be recommended with the Fiscal Year 2007-08 budget. *Provides funds needed to operate new irrigation system.*

Total Community Services Department Operating Adjustments: $103,000

- Miscellaneous (Limited-Period Funding): $12,300

  Provides funding to purchase in-ground safes at Rengstorff and Eagle Pool sites, replace special event banners, purchase a floor buffer machine and purchase utility carts/hand trucks. *Maintains desired level of service.*

- Roadway Landscape and Parks Equipment (Limited-Period Funding): $10,300

  Provides funding for 22 pieces of small equipment such as backpack blowers, edgers, weed eaters and trimmers (not in the equipment replacement plan). *Provides staff with the appropriate tools to perform work more efficiently.*

- McKelvey Light Pole Analysis (Limited-Period Funding): $5,000

  Provides funding for analysis of the light poles at McKelvey Park to determine conditions, upgrade specifications and replacement schedule. *Provides management tool for infrastructure maintenance.*

Community Services Department Limited-Period Funding Expenditures: $27,600

LIBRARY SERVICES DEPARTMENT

The Library Services Department is responsible for the administration and provision of library services. Library services include Children's Services, Outreach Services, Adult Services, Customer Services and Support Services. Children's Services provides a full range of materials, services and programs to children, parents and adults working with children. Outreach Services provides service to customers outside of the main Library building. Adult Services provides access to information relating to vocational, educational, recreational, cultural and self-improvement needs. Customer Services is responsible for the lending and tracking of Library materials loaned to the public. Support Services provide the support functions of maintaining the Library's automation and catalog systems, physically processing and maintaining all materials.

Recommended increases to the Library Services Department budget total $75,000. Staff also recommends limited-period funding of $50,000. Reductions over the past four fiscal years total $553,600 or 13.9 percent and include the reduction of 5.5 permanent positions and 3.5 FTE hourly positions from the General Operating Fund.

- Materials Budget: $60,000

  Increases budget for books and media by 20 percent. Over the past eight years, the materials budget has remained at the same level while circulation of the materials has doubled. Materials budget per capita is $5.09 while comparable libraries are between $5.37 and $9.85. Increasing the materials budget $60,000 would change the materials budget per capita to $5.71, still on the lower end of other comparable libraries. *Increases materials budget to a more acceptable level.*

- Reclassification of a 0.50 Library Assistant II position to Librarian II: $7,600

  Provides funding for the reclassification of a 0.50 Library Assistant II position to a 0.50 Librarian II. This new position will be shared between teens and children's services to provide five to eight hours of service desk coverage as well as additional programs. *Moves closer to the desired staffing levels in teen and children's services and allows additional programming.*

- Miscellaneous Ongoing Increases: $7,400

  Provides funding for training, interlibrary loan contract services and miscellaneous maintenance, memberships and service contract increases. *Maintains desired level of service.*

Total Library Services Department Operating Adjustments: $75,000

- Hourly Wages (Limited-Period Funding): $50,000

  Wages have been reduced over the last four fiscal years in order to make necessary budget reductions. For the past two fiscal years the amount of wages budgeted has been insufficient and the Library has relied on salary savings to remain within their budget. For the upcoming fiscal year, the Library's need for hourly staff is increasing due to the number of projects such as the Radio Frequency Identification (RFID) conversion, materials handling implementation and the Library computer training room that will require existing permanent staff time for planning, implementation and training. During this next fiscal year, a complete review of staffing needs will be addressed and ongoing changes brought forward in the Fiscal Year 2007-08 budget. *Maintains desired level of service.*

Total Library Services Department Limited-Period Funding Expenditures: $50,000

FIRE DEPARTMENT

The Fire Department provides disaster preparedness and recovery training, fire prevention and housing code enforcement, fire suppression, rescue, emergency medical care, hazardous materials incident response and prevention, industrial waste discharge and general surface water pollution prevention and special services to the community. Department equipment and personnel are strategically deployed throughout the City to rapidly assist citizens when emergencies occur.

Recommended increases to the Fire Department budget total $74,000. Staff also recommends limited-period funding of $55,000. Reductions over the past four fiscal years total $454,400 or 4.1 percent and include the reduction of 3.0 nonsafety positions from the General Operating Fund.

- Emergency Medical Services Program: $50,000

  Provides additional resources for coordination of the Emergency Medical Services (EMS) program. The EMS program was approved during Fiscal Year 1998-99. The department has relied on the skills of one Battalion Chief and a contracted trainer to run the program. The Battalion Chief's primary responsibility is as a shift supervisor, but the EMS function often becomes the priority at the expense of the shift supervisor responsibilities. In addition, the EMS program requires more focused and consistent management. This additional focus can be in the form of a City position or contract. Both options are still being evaluated. *Provides better oversight of Paramedic Program.*

- Newly Hired Firefighter Costs: $16,000

  Provides funding for background investigations and other "start-up" costs for two Firefighter candidates for employment. The number of new recruits varies from year to year. Staff recommends adding a base amount of new hire costs to the budget and supplement with limited-period funding for anticipated new hires above two. Associated recruitment costs are budgeted in the Employee Services Department. *Maintains desired level of recruiting standards.*

- Medical Director: $8,000

  Increases funding for the City's medical director contract. This contract provides oversight of paramedics, controlled substance prescriptions, quality assurance as well as medical directions for the City's medical priority dispatch. *Maintains desired level of service.*

Total Fire Department Operating Adjustments: $74,000

- New Hire Costs (Limited-Period Funding): $30,000

  Provides funding for background investigations and other "start-up" costs for three Firefighter candidates for employment. The department anticipates five Firefighter vacancies due to retirements during Fiscal Year 2006-07. Staff is recommending adding a base level of funding for two new hires with supplemental funding on a limited-period basis to account for fluctuations. Associated recruitment costs are budgeted in the Employee Services Department. *Maintains desired level of recruiting standards.*

- Succession Planning (Limited-Period Funding): $20,000

  Provides funding for training and overtime to implement a succession plan strategy. The average years of experience for the Captain level has been approximately eight years. In 2005, this average has fallen to approximately six years. Between 2011 and 2015, the department is expected to lose 11 Captains to retirement. Staff has identified six classes in the State Fire Marshal's Fire Office series that are essential training for future Captains. To prepare for succession, seven employees should start this program in the next fiscal year in order to complete all six classes by 2011, assuming one class is taken per year. *Prepares department for future retirements and promotions.*

- Station Appliance Replacement (Limited-Period Funding): $5,000

  Provides funding to replace station appliances as needed. It is anticipated that two dishwashers, three refrigerators and one commercial washer and dryer may need to be replaced during the upcoming fiscal year. *No service level impact.*

Total Fire Department Limited-Period Funding Expenditures: $55,000

POLICE DEPARTMENT

The Police Department is responsible for maintaining the safety and protection of the community by means of crime prevention and educational programs, the apprehension and prosecution of criminals and the management of noncriminal public activities. The department provides uniform Police services with its primary functions being responding to criminal activity and calls for service in an effective and timely manner, providing crime suppression and prevention activities. The department provides follow-up investigations, record keeping, processing of arrest warrants and the coordination of all personnel and training functions. The department also provides Emergency Communications services which encompass 9-1-1 answering, dispatch services for Police and Fire, and public safety computerized records management.

Recommended increases to the Police Department's budget total $207,200. Staff also recommends limited-period funding of $288,700. Reductions over the past four fiscal years total $1.3 million or 7.4 percent and include the reduction of 5.6 permanent positions and 5.0 overhire positions from the General Operating Fund.

- Police Officer Overhire Position (1.0): $79,300

  Provides ongoing funding for one Police Officer overhire position funded at 50 percent. Staff recommends adding one Police Officer overhire position to the operating budget each year over the next three years until all three Police Officer overhire positions are funded from the operating budget. It can take up to one year from the time of a position vacancy to place a sworn Officer on the street due to the lead time necessary to hire and train a new Officer. An overhire position allows staff to anticipate a vacancy and start the hiring and training process before a position actually becomes vacant. *Maintains desired level of service.*

- Animal Control Services Contract: $45,000

  Provides increased funding for the animal control contract with the City of Palo Alto. Cost for Palo Alto as well as the City's proportionate share of animal handling has increased over the last couple of years, causing the City's share of cost to increase. This may not fully fund the City's estimated share of costs for next fiscal year. The Police Department will perform a comprehensive analysis during the next fiscal year. *Maintains desired level of service.*

- Hardware/Software Maintenance: $29,100

  Provides for the annual increase in contract services to support hardware and software of SLETS/AWS, mobile data terminals, CLETS and CAD/RMS. *Maintains desired level of service.*

- Gang Abatement: $25,000

  Provides ongoing funding to address gang-related issues in the City. Staff is also recommending limited-period funding (an additional $25,000) to start this program during the upcoming fiscal year. *Provide funding needed to address gang-related issues.*

- Vehicle Lease: $13,100

  Provides additional funding for undercover vehicle leases. These funds are needed due to the rising cost of vehicle leases as well as two additional leased vehicles. In turn, the department is returning one permanently assigned fleet vehicle. Leased vehicles give the department greater anonymity when doing undercover work. *Allows department to meet needs of undercover assignments.*

- Personal Mask Testing: $8,000

  Provides funding for training on use of personal gas masks. This is an OSHA requirement and represents training for 130 Officers annually. *Maintains desired level of service.*

- Miscellaneous Ongoing Increases: $7,700

  Provides funding for medical technologist services contract increase and CAL ID contract increase. *Maintains desired level of service.*

Total Police Department Operating Adjustments: $207,200

- Two Police Officer Overhires (Limited-Period Funding): $158,600

  Continues limited-period funding for two Police Officer overhire positions (funded at 50 percent per position). Staff is recommending incorporating one Police Officer overhire position into the operating budget with the strategy of adding one per year until all three overhire positions are funded in the operating budget. It can take up to one year from the time of a position vacancy to place a sworn Officer on the street due to the lead time necessary to hire and train a new Officer. An overhire position allows staff to anticipate a vacancy and start the hiring and training process before a position actually becomes vacant. *Maintains desired level of service.*

- One Dispatcher Overhire (Limited-Period Funding): $105,100

  Provides limited-period funding to cover staff on maternity leave. The Dispatcher function is critical and loss of staff for an extended period of time incurs excessive overtime and places burdens on other staff. This is the second year this position has been requested as the need to cover staff on maternity leaves has continued. *Maintains desired level of service.*

- Gang Abatement (Limited-Period Funding): $25,000

  Provides funding to ramp up program for gang abatement. Staff is also recommending ongoing funds as outlined above. *Allows department to gear up to the desired level of service.*

Total Police Department Limited-Period Funding Expenditures: $288,700

Budget Alternatives

There are potential alternatives to those recommended in this report. Departments have submitted more items than those recommended above; however, the expenditures recommended are believed to address the highest-priority needs. It is always the Council's discretion to make changes to staff's recommendations, including not funding recommended expenditures and/or funding additional expenditures. A list of alternatives is summarized below.

- Additional Equipment Replacement Fund Contribution from Operating Budget: Up to $672,000

  Would place more or all of the General Fund's share in the Operating Budget instead of phasing in over the next three fiscal years.

- Move Remaining Two Police Officer Overhire Positions to Operating Budget: $158,600

  Would fund all three Police overhire positions from the operating budget instead of phasing in over the next three fiscal years.

- Higher Level of Janitorial Services: $63,700

  Provides additional hours for weekend service at City buildings open on the weekend and provides more specialty cleanings.

- Reduce Staff Time Charged to CIPs Further: $58,600

  Provides funding to allow more flexibility with staff to work on non-CIP projects.

- Office Assistant (0.50) for Senior Center: $36,800

  Would provide additional clerical support for the new Senior Center.

- Senior Stagehand (1.0) for Center for the Performing Arts (offset by reduction in hourly staff): $32,000

  Would restore a Senior Stagehand position of the 1.5 eliminated in Fiscal Years 2003-04 and 2004-05.

- All Gang Prevention/Intervention Recommendations from Operating Budget Instead of Limited-Period Funding: $25,000

  Would increase total in Operating Budget to $50,000.

- Senior Ticket Services Representative (0.50) for Center for the Performing Arts (offset by reduction in hourly staff): $9,700

  Restores a Senior Ticket Services Representative position eliminated in Fiscal Year 2003-04.

- Full-Year Maintenance of Devonshire Park: $8,000

  Would provide a full-year maintenance in Fiscal Year 2006-07, rather than adding the second half in Fiscal Year 2007-08.

- Additional Senior Center Programming Hourly Staff: $3,200

  Provides additional resources for new Senior Center.

- Additional Library Materials/Collection Funding: $?

  Would provide more resources for collection.

- Additional Retirees' Health Insurance Funding: $?

  Would meet City's obligation faster.

- Additional Streets Maintenance: $?

  Would provide additional funding for streets maintenance.

- Additional Parks Maintenance: $?

  Would provide additional funding for parks maintenance.

This list is provided to the City Council for consideration as alternatives to the recommended Fiscal Year 2006-07 General Operating Fund budget.

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RESERVES

The City's Financial and Budgetary Policy A-11, which includes the City's reserve policies, was originally adopted on December 11, 1976. This policy included a Contingency for Unscheduled Capital Improvements of $500,000, an Operating Contingency Reserve of $300,000 and a reserve of $1.0 million for emergencies. Since then, the policy has been revised, amounts increased and new reserves created.

Staff has reviewed the purpose and necessity for each reserve and has determined that many of the reserves have been created for specific continuing needs (particularly to fund identified obligations of the City, such as Workers' Compensation, liability, retirees' health, etc.).

However, staff is recommending the dissolution of the Budget Transition Reserve. This reserve was established in Fiscal Year 2001-02, when the City's revenues experienced their greatest decline in recent history ($12.0 million or 14.5 percent) and was facing unknown future budget challenges. It was thought to be prudent at the time to set aside funds for transitioning to a significantly reduced level of General Operating Fund revenues. However, the City has balanced its budget each of the last four fiscal years primarily by reducing ongoing operating costs. Although future budget challenges may occur, the upcoming fiscal year is the first year no reductions to the Operating Budget are being recommended. As revenues appear to have stabilized and the State is currently no longer able to undertake new raids on local revenues, the need for this reserve appears to have diminished. Therefore, staff is recommending the $9.2 million balance in this reserve be allocated to other purposes.

In addition, staff is recommending the consolidation of three existing reserves (Operating Contingency, Long-Term Contingency and Revenue Stabilization) into one new General Fund Reserve. The purpose of the original three reserves of providing funds for: (1) unforeseen operating needs, (2) emergencies and (3) to generate interest earnings, remains and will be identified as the purpose for this new consolidated reserve. The policy level of the two Contingency reserves combined has been 15.0 percent of General Operating Fund adopted expenditures. The Revenue Stabilization Reserve is $5.7 million (combined total is approximately 21.4 percent of adopted expenditures). In reviewing reserve levels of other agencies in the State and the County, staff found reserve levels ranging from 3.0 percent to 50.0 percent of General Fund budget. Staff recommends the policy balance of this new reserve be set at 25.0 percent.

The City has established reserves for various purposes in the General Fund, Utility Funds and Internal Services Funds. A major factor considered by Standard & Poor's in awarding the City its AAA underlying credit rating was the structure and funding status of reserves. A discussion regarding the reserve structure, balances available for allocation, estimated reserve balances compared to policy or target balances and the recommended allocation of available balances are described below.

Utility reserves are recorded in the Water, Wastewater and Solid Waste Management Funds for emergencies, contingencies/rate stabilization and capital improvements and will be discussed in the second half of the Narrative Budget Report in May.

Reserves Structure

Reserves can be classified as those designated for a specific purpose and those created to fund liabilities.

- Reserves designated for specific purposes:
  - Operating Contingency
  - Long-Term Contingency
  - Revenue Stabilization
  - Budget Transition
  - Capital Improvements
  - Strategic Property Acquisition
- Reserves to fund liabilities:
  - Property Management
  - Graham Site Maintenance
  - Child-Care Commitment
  - Compensated Absences
  - PERS Liability
  - Equipment Replacement
  - Workers' Compensation Self-Insurance

- Liability Self-Insurance
- Retirees' Health Insurance Program

Reserves in the first group are designated for a specific purpose and are funded entirely by the General Fund. Those in the second group, with the exception of the Graham Site Maintenance and Property Management Reserves, receive transfers from multiple operating funds and have current or future liabilities offsetting all or some of the reserve balance. For the child-care commitment and Retirees' Health Program, the liability currently exceeds the reserve balance.

Reserves are an essential element in maintaining financial stability, meeting long-term objectives and providing the ability to respond to emergencies. They are also essential for generating interest income.

Unallocated General Fund Carryover Balance and Recommendations

The City's General Operating Fund ended the 2004-05 fiscal year with an operating balance of approximately $8.2 million (including the $1.0 million Economic Stabilization Contingency, less $1.1 million of building activity revenue carryover). With $5.5 million of one-time revenues and expenditure savings and an accumulated $11.4 million of prior fiscal year balances available, there was a total balance of $25.0 million. The Fiscal Year 2005-06 Adopted Budget included expenditures and transfers to reserves of $10.4 million, leaving a remaining unallocated balance of $14.6 million. With the staff recommendation to dissolve and reallocate the Budget Transition Reserve of $9.2 million, this provides a total balance available for allocation of $23.8 million before consideration of any carryover from the current fiscal year. From this balance, reserves are recommended to be allocated to fund obligations, maintain policy balances and to be used for strategic purposes.

The table below details the available balance for allocation and recommended allocations (amounts in thousands):

Fiscal Year 2004-05 General Fund Operating Balance	$ 8,162[1]
Total One-Time Revenue and Expenditure Savings	5,463
Total Fiscal Year 2004-05 General Fund Carryover	13,625
Remaining Prior Year Balances	11,429
Total Balance	25,054
Less Fiscal Year 2005-06 Adopted Budget Allocations	(10,411)
Total Unallocated Balance	14,643
Budget Transition Reserve	9,190
Total Available for Allocation	23,833
Recommended Allocations:	
General Fund Reserve	(2,814)
General Fund Capital Improvements Program	(3,000)
General Fund Strategic Property Acquisition	(7,648)
General Fund Compensated Absences	(1,500)
Total Recommended Allocations	(14,962)
Remaining Unallocated	$ 8,871

[1] Includes $1.0 million Economic Stabilization Contingency and net changes in Assets and Liabilities and reduced by building activity carryover for Fiscal Years 2003-04 and 2004-05.

Recommended allocations from the balance available for allocation include the supplementing of reserves to achieve policy levels, providing funding for Capital Improvements and Strategic Property Acquisition.

The table below details the estimated Fiscal Year 2005-06 General Operating Fund balance and recommended allocations for Fiscal Year 2006-07 (amounts in thousands):

Remaining Unallocated	$ 8,871
Estimated Fiscal Year 2005-06 Operating Balance	7,744[1]
Estimated Available	16,615
Recommended Allocations for Fiscal Year 2006-07:	
One-Time Expenditures	(657)
Equipment Replacement	(672)
Capital Outlay	(362)
Total Recommended Allocations	(1,691)
Estimated Remaining Available Balance	$14,924

[1] Includes $1.1 million Economic Stabilization Contingency.

Based on the remaining unallocated balance and the estimated operating balance for the current fiscal year, there is estimated to be $16.6 million available and after $1.7 million recommended for allocation in Fiscal Year 2006-07, there is an estimated remaining available balance of $14.9 million. This estimate of $14.9 million of remaining available balance is the accumulation of remaining balances of several fiscal years (including the "boom year" of Fiscal Year 2000-01) and should be viewed as an unusual and unique opportunity that is unlikely to be replicated in future fiscal years. Since the City has been conservative in fully committing unallocated balances during the last several fiscal years and maintained a "rainy day fund" (Budget Transition Reserve) that is now recommended for dissolution, future fiscal year unallocated funding totals are expected to be much more limited. It is quite possible in future fiscal years the General Operating Fund carryover balances may not even be sufficient to fund priority capital projects in addition to replenishing reserves.

Therefore, this available funding should not be viewed from the perspective of meeting short-term needs or current priorities but should be considered with a longer-term perspective. Among the factors that should be considered are the following:

- The Retirees' Health Insurance Reserve is underfunded (based on a 2004 actuarial) by $30.6 million (of which approximately $21.9 million is the obligation of the General Fund). Recommendations for funding from the estimated remaining available balance to potentially address this need will be made later in the budget process.

- The Capital Improvement Program could be greatly constrained in future years in meeting its funding requirements. Major projects such as Stevens Creek Trail and the Schatz Police/Fire Headquarters are significant unfunded projects. Similarly, if the City wished to reengage the Community Center project in the foreseeable future, a significant funding source would need to be identified.

- Significant technology-related investments could outstrip available funding (such as replacing the dispatching/records management system).

Since a similar opportunity is not likely to reoccur in the foreseeable future, the programming of these funds should be undertaken in the context of long-term needs and priorities and not just current circumstances. Staff will be providing additional recommendations regarding these currently projected unallocated funds later in the budget process. It should be kept in mind that this total is still only a projection since it includes an estimate for what will remain at the close of the current fiscal year and should not be assumed to be currently available funds.

Reserves Background and Analysis

The table below details the estimated balance, recommended balance and policy/target balance for each reserve (amounts in thousands):

	6/30/06 Estimated Balance	Amount Recommended for Allocation	7/1/06 Recommended Balance	Policy/ Target Balance
Designated for Specific Purpose:				
GF Reserve[1]	$ -0-	19,550	19,550	19,550[2]
GF Operating Contingency[1]	3,500	(3,500)	-0-	-0-
GF Long-Term Contingency[1]	7,540	(7,540)	-0-	-0-
GF Revenue Stabilization[1]	5,696	(5,696)	-0-	-0-
GF Budget Transition	9,190	(9,190)	-0-	-0-
GF Capital Improvements	5,600	3,000	8,600[3]	5,000
GF Strategic Property Acquisition	13,582[4]	7,648	21,230	21,230
Subtotal	45,108	4,272	49,380	45,780
To Fund Liabilities:				
GF Property Management	1,600	-0-	1,600	1,600
GF Graham Site Maintenance	450	-0-	450	450
GF Child-Care Commitment	1,215	-0-	1,215	1,575
GF Compensated Absences	6,000	1,500	7,500[5]	6,492[6]
GF PERS Liability	5,087	-0-	5,087	5,087
Equipment Replacement[7]	12,500	-0-	12,500	12,500
Workers' Compensation[7]	5,000	-0-	5,000	4,385[8]
Liability Self-Insurance[7]	4,000	-0-	4,000	2,382[8]
Retirees' Health Insurance	13,579	-0-	13,579	43,782[8]
Subtotal	49,431	1,500	50,931	78,253
Total	$94,539	5,772	100,311	124,033

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[1] Consolidating the Operating Contingency, Long-Term Contingency and Revenue Stabilization Reserves into new General Fund Reserve.

[2] Policy balance is calculated as 25.0 percent of the General Operating Fund budget.

[3] Exceeds policy balance to fund Fiscal Year 2006-07 CIP.

[4] Includes recommended repayment of $413,000 loan from Revitalization Authority.

[5] Recommended to exceed policy balance to fund potential increase in liability and next fiscal year's obligation.

[6] Based on the liability established June 30, 2005.

[7] Funding provided by the General Fund, Shoreline Golf Links, Revitalization Authority, Parking District, CDBG, Shoreline Regional Park Community, Enterprise Funds and Fleet Maintenance.

[8] Actuarial liability, in addition to reserve for catastrophic claims per policy as applicable.

General Fund Reserve

Staff recommends the consolidation of the Operating Contingency, Long-Term Contingency and Revenue Stabilization Reserves into one General Fund Reserve with a policy balance of 25.0 percent of the General Operating Fund adopted expenditures. This reserve would be the source of funding for necessary, but unanticipated, expenditures during the fiscal year, emergencies and to generate ongoing interest earnings.

General Fund Operating Contingency Reserve

The General Fund Operating Contingency Reserve is recommended to be consolidated into one new General Fund Reserve. The policy balance for this reserve is 5.0 percent of General Operating Fund.

General Fund Long-Term Contingency Reserve

The General Fund Long-Term Contingency Reserve (formerly named the Emergency Reserve) is recommended to be consolidated into one new General Fund Reserve. The policy balance for this reserve is 10.0 percent of General Operating Fund.

General Fund Revenue Stabilization Reserve

The purpose of this reserve was to generate interest earnings as an offset to the loss of operating revenue resulting from BGP's prepayment of "minimum rent" for the Shoreline Amphitheatre and to be used for interfund loans and transactions that generate interest earnings for the General Operating Fund. It is recommended to consolidate this reserve into the new General Fund Reserve. The purpose of this reserve will still be accomplished through the new consolidated reserve.

General Fund Budget Transition Reserve

In Fiscal Year 2001-02, as the City's declining economic situation was rapidly unfolding, this reserve was created to strategically position the City to adjust to anticipated lower revenues. Specifically, greater resources were thought to be needed to transition certain City services, primarily for filled positions that were eliminated and for a period of advance notices of termination, retraining and other costs. While the fund has served this purpose, much less of the reserve has been used than was thought might be required. As the City's financial position has improved, it is recommended to allocate the funds in this reserve to other high-priority needs at this time.

General Fund Capital Improvements Reserve

The City has had a long-term policy to reserve a minimum of $5.0 million for unspecified capital improvement projects in the General Fund Capital Improvement Reserve. This provides flexibility in the City's planning for capital projects, serves as a contingency fund for capital projects, generates ongoing investment earnings and also serves as an emergency pool of funds for unanticipated high-priority capital needs.

This reserve is estimated to end the fiscal year with a balance of $5.6 million. It is recommended to allocate $3.0 million of funding to this reserve to assist in the proposed Capital Improvement Program for the upcoming fiscal year.

General Fund Strategic Property Acquisition Reserve

This reserve was created in Fiscal Year 2000-01 for the purpose of setting aside specific funds for the City to use for the acquisition of strategic property(ies) to take advantage of economic development opportunities. The proceeds from the sales of City-owned property have been placed in this reserve as one source for its funding. There is also a loan outstanding to the Revitalization Authority in the amount of $413,000 for the purchase of the Franklin Street property which is recommended to be repaid this upcoming fiscal year. The fund has accumulated $13.6 million (including the $413,000 recommended loan repayment) toward the purchase price of the Moffett Gateway Properties from the County and State as authorized by Council. Additional funding of $7.6 million is recommended to be allocated to provide sufficient funds to complete the acquisitions. If the City can acquire and consolidate these properties, it could be used for development that would generate long-term annual revenues for the General Operating Fund.

General Fund Property Management Reserve

This reserve was established in Fiscal Year 1995-96 to provide a source of funds for landlord obligations that could arise from the lease of City property in the North Bayshore Area. These obligations could include environmental testing, certain responsibilities identified in land leases or other costs normally incurred by a lessor. At this time, the $1.6 million balance is believed to be sufficient for these obligations.

General Fund Graham Site Maintenance Reserve

This reserve was established in Fiscal Year 2004-05 to fund the school district's maintenance obligations of the Graham School Site. In the agreement with the school district to build the reservoir beneath the playing fields at Graham Middle School, the Water Fund is to contribute $220,000 per year to this reserve with the funds being used to reimburse the City for the school district's share of maintenance costs incurred by the General Operating Fund. Included in the recommendations is additional maintenance costs of $52,000 to be funded from this reserve.

General Fund Child-Care Commitment Reserve

With the adoption of the Fiscal Year 2005-06 budget, the Council set aside $1.2 million as part of the financing plan for the child-care center. The $1.2 million will fund the initial $200,000 lease payment (prior to the operator assuming operations) to the Packard Foundation and the balloon payment due at the end of Year 8. The balance is estimated to generate sufficient interest earnings to fund the final payment to the Packard Foundation.

General Fund Compensated Absences Reserve

The Compensated Absences Reserve was established in Fiscal Year 1991-92 to fund the City's liability for the accrued vacation, comp time and sick leave obligations of employees in all funds except the Enterprise and Internal Service Funds. The liabilities of the Enterprise and Internal Service Funds are recorded in those respective funds as required by governmental accounting standards. This reserve is drawn down for leave payoffs to terminating and retiring employees (for accumulated vacation and sick leave if applicable) and current employee vacation cash-out payments during the fiscal year. The leave liability is recalculated each fiscal year with the close of the City's financial records.

During Fiscal Year 2004-05, approximately $875,000 was paid out of this reserve and the liability increased $632,000 over the prior fiscal year. The current estimated reserve balance of $6.0 million is less than the calculated liability of $6.5 million. Therefore, staff is recommending $1.5 million be allocated to this reserve. With this allocation, the reserve will be greater than the current liability. This excess will be available to fund obligations that will occur during the upcoming fiscal year and a potential increase in the liability.

General Fund Public Employees Retirement System (PERS) Liability Reserve

The PERS Liability Reserve was created with the Fiscal Year 2004-05 Adopted Budget to mitigate the City's anticipated rising retirement costs due to prior year PERS investment portfolio losses. In the boom years leading up to the recession, the City benefited from PERS investments achieving significantly higher returns than the 8.25 percent return assumed in actuarial calculations. Excess investment returns resulted in the City being overfunded from an actuarial standpoint.

The surplus investment earnings were used by PERS to subsidize (i.e., reduce) employer contribution rates to below "normal cost." Normal cost is the rate the City is required to fund for the retirement benefit earned by employees each year based on the assumptions in the actuarial calculation. PERS also uses a technique called "smoothing" to mitigate rate fluctuations over time. If there is a significant benefit change or a significant investment gain or loss when compared to actuarial assumptions, these gains or losses are amortized over a period of 10 to 20 years, thereby smoothing the effects such changes could have on annual rates.

When PERS investment surpluses began to lower retirement rates, the City established a policy of budgeting normal cost in an attempt to avoid significant swings in the budget due to temporary changes in PERS rates. During the fiscal years between 1999-2000 and 2002-03, the actual amounts paid to PERS were less than the City's normal costs. The difference between the normal cost and the actual costs were considered one-time savings.

The amount that had accumulated from these PERS savings was set aside in the General Fund PERS Liability Reserve and is used to fund PERS payments that now exceed normal costs. These savings pertain only to the miscellaneous group (nonsafety) employee retirement plan. The PERS savings of $1.9 million pertaining to the safety group was used when the enhanced retirement benefit of 3.0 percent at 50 was granted.

Over the last few years, the investment returns of the PERS portfolio have been significantly below the 8.25 percent assumed actuarial rate. This has had the opposite effect of the earlier surpluses and has resulted in amortized losses. PERS has also adopted changes in actuarial assumptions related to inflation, longer life spans, payroll growth and investment returns. These changes have produced a significant unfunded liability, which has resulted in an amortization of unfunded costs above normal costs for miscellaneous employees beginning in Fiscal Year 2005-06.

Beginning with the current fiscal year, a strategy to phase out the reliance on this reserve by $100,000 per fiscal year until the General Operating Fund is fully funding the PERS costs for miscellaneous employees was recommended. For Fiscal Year 2006-07, the PERS rate for Miscellaneous employees decreases from 12.359 percent to 11.211 percent. This rate is 3.53 percent above normal costs and the contribution above normal costs from this reserve is recommended at $458,000, down from the $728,000 in the current fiscal year. Additional funding from this reserve will be necessary until the full costs can be absorbed by the General Operating Fund.

Equipment Replacement Reserve

The City established the Equipment Replacement Reserve in Fiscal Year 1991-92 to stabilize the annual funding needed for the replacement of certain City equipment. Level annual contributions are received from various funds and the reserve absorbs the large fluctuations in annual expenditures for equipment replacement. The estimated balance of $12.5 million approximates the target balance of $12.5 million. For the past four fiscal years, the reserve balance exceeded the policy level so the General Operating Fund's contribution was reduced approximately $1.0 million to assist with balancing the General Operating Fund budget.

In the current fiscal year, staff has reviewed the cost methodologies, useful life assumptions and annual contributions to the Equipment Replacement Reserve to reassess the funding requirement. Staff has determined this fund can no longer sustain the replacement schedule over time without restoring annual contributions. For Fiscal Year 2006-07, the General Operating Fund's contribution is recommended to increase $300,000 to a total of $700,000, and it is also recommended that the General Fund Nonoperating Reserve contribute $672,000 in order to fully fund the General Fund's annual share. The recommended strategy is to increase the General Operating Fund's contribution by $200,000 annually over the next few fiscal years until the General Fund's annual contribution is entirely funded from the operating budget. Replacements for Fiscal Year 2006-07 total $6.2 million and includes $3.7 million for the replacement of the fire fleet.

Workers' Compensation Self-Insurance Reserve

The Workers' Compensation Fund was established by Council resolution on September 7, 1975 to account for the City's self-insured obligations for Workers' Compensation liabilities to injured City employees. This program continues to be cost-effective in comparison to purchasing insurance.

The required balance of this reserve is based on projected liabilities as determined by an actuarial evaluation conducted at least once every three years. In addition, the reserve includes funding in the amount of $1.0 million for the potential of two catastrophic claims at the City's current level of self-insured retention. The accrued liability is reviewed on an annual basis with the audit of the City's financial statements. The reserve has an estimated balance of $5.0 million and the policy level as of June 30, 2005 is $4.4 million. Staff is in the process of reviewing this reserve and the policy balance. Once staff has completed its analysis, if funds are available to be reallocated, staff will make recommendations to allocate any excess to other high-priority needs that could include the underfunded Retirees' Health Insurance Reserve.

Liability Self-Insurance Reserve

The Liability Self-Insurance was approved by Council on August 11, 1980. The City currently self-insures for the first $1.0 million of liability exposure per occurrence. The policy level of this reserve is $2.4 million, $2.0 million for the self-insured exposure to catastrophic incidents and $382,000 to fund estimated incurred claims. Ongoing annual expenses for small claims are funded in the operating budget each fiscal year. This reserve has an estimated balance of $4.0 million which is higher than the $2.4 million policy balance. Insurance costs are expected to rise for next fiscal year. This may result in increasing the self-insurance retention from the current $1.0 million to $2.0 million if costs are prohibitive to obtain an excess layer of insurance to this level. If this occurs, the City may reevaluate the policy level of this reserve. After additional information regarding next fiscal year's insurance limits is determined, staff will return to Council with a recommendation for the amounts above policy level, if any, for potential reallocation to other high-priority needs, which could include the underfunded Retirees' Health Insurance Program Reserve.

Retirees' Health Insurance Program Reserve

The City provides postemployment health care benefits by contributing all or a percentage of the premium cost for its retired employees. The cost for employees who will retire in the future and those already retired represents an outstanding liability to the City. The current fiscal year adopted expenditure for all funds to pay this benefit on a pay-as-you-go basis is approximately $1.1 million.

For the past four fiscal years, to assist in balancing the budget, the General Operating Fund's annual premium cost for retirees was funded by the interest earnings generated by this reserve. However, as interest rates declined and health premiums continued to rise, the annual investment earnings on the reserve balance were insufficient to fund the General Operating Fund annual share of premiums, and incremental funding has increased over the last couple of fiscal years.

For the upcoming fiscal year, it is recommended annual funding be increased by $500,000 to a total of $1.0 million to fund the General Operating Fund's annual pay-as-you-go obligation. Unfortunately, this is well below the ARC calculated as of July 1, 2004, which is approximately $3.3 million ($4.1 million in total for all funds), and continued increased funding will be needed to be phased in (in addition to program restructuring) to reach the City's ARC. Subsequent recommendations for this significant liability will be discussed with Council later in the budget process (see Attachment D).

Reserve Recommendations

Staff has performed a preliminary review of reserve levels and included funding recommendations for specific reserve requirements. Staff recommends consolidation of the General Fund Operating Contingency, Long-Term Contingency and Revenue Stabilization Reserves into one General Fund Reserve that will serve the same purposes of the three previous separate reserves. Other funding recommendations include allocations to the Capital Improvement Program, Strategic Property Acquisition and Compensated Absences Reserves. These recommendations will strengthen the City's long-term financial health.

CONCLUSION/SUMMARY

This report has concentrated on recommendations for the General Operating Fund. Additional budget recommendations for Fiscal Year 2006-07 will be forwarded with the Narrative Budget Report—Part II—Other Funds (Special and Enterprise Funds) and in the proposed Capital Improvement Plan. However, it is the General Operating Fund that comprises the most significant portion of the budget and has traditionally included the most significant budget issues/challenges.

This report reflects a much more positive circumstance than what has been experienced over the past four fiscal years. For the upcoming fiscal year, we are not required to implement service and staffing reductions in order to maintain a balanced budget. In fact, we are able to modestly add back resources in those service areas where the impacts have had the most negative effects. This very positive news is tempered by the reality that the organization continues to struggle with maintaining the high level of service we and our customers are accustomed to with considerably fewer resources. The additions recommended in this budget are only a small fraction of the reductions experienced since Fiscal Year 2001-02. Among the high-priority areas addressed are development-related services, streets maintenance, parks maintenance, funding for the Library's collections, information technology management, gang prevention and emergency medical services oversight.

The recommendations in this report are viewed as a prudent balance of addressing significant service area shortfalls while trying to maintain a sustainable level of expenditures. The last few fiscal years are a clear testament to the difficulty of predicting the sustainable level of General Operating Fund revenues. We are striving to avoid a "roller coaster effect" of service levels being increased and then decreased in subsequent fiscal years.

This report also includes recommendations regarding additional operating budget funding to key areas, including the Equipment Replacement Reserve and funding for the purchase of new capital equipment. A major component of this budget is a $3.7 million investment for the replacement of the entire fire engine/ladder truck fleet.

A great concern for the long-term stability of the General Operating Fund is the significant costs associated with funding the Retirees' Health Insurance Program. While Mountain View has been ahead of most governments by undertaking regular actuarial evaluations of this program over the last 15 years and has accumulated a reserve in excess of $13.0 million, it is clear that the program is not sustainable in the long term as currently structured. While an ongoing commitment of General Operating Fund resources is recommended in this budget to partially address this challenge, many more steps will need to be implemented.

This recommended budget is designed to make investments in key areas but at a level anticipated to be sustainable into the future. It is not anticipated that the staffing and service levels of as recently as five years ago will be restored in the foreseeable future.

Many staff members have assisted in the preparation of this report. I would particularly like to thank Assistant City Manager Nadine Levin, Finance and Administrative Services Director Bob Locke, Assistant Finance and Administrative Services Director Patty Kong, and Principal Financial Analysts Suzy Niederhofer and Helen Ansted. My thanks also go to Police Lieutenant Max Bosel who assisted with the review of capital equipment requests.

I would also like to recognize the hard work of all the department heads in preparing responsible and measured budget requests. Finally, I want to acknowledge the work of the Document Processing staff who always contribute so much to the preparation of these documents.

The staff and I look forward to presenting these recommendations to the City Council on April 4.

Kevin C. Duggan
City Manager

KCD/BUD
614-2006-07NB^

Index of Attachments

A. Building Services

B. Recommended Fee Modifications

C. Fire Fleet Replacement Strategy

D. Retirees Health Insurance Program

E. Development Services

F. Streets Maintenance

G. Parks and Landscape Maintenance

Attachment A

SUBJECT: BUILDING SERVICES

INTRODUCTION

On an annual basis, the revenues generated from private-development-related activity fluctuates dramatically. There can also be a timing issue as building permit fees can be collected in one fiscal year, but the associated building services may not be provided until the following fiscal year.

In order to address these issues and ensure that, over time, the City is matching the revenues collected to the total cost of building services, staff recommends separating the revenues and expenditures related to building activities from the General Operating Fund to better track and account for them. This will allow for a more effective way to match revenues and expenditures, and allow the Building Division to weather the cyclical nature of development by designating and carrying over balances from high-activity years to support a base level of activity in slower times and continue to provide a consistent level of service at all times.

BACKGROUND AND ANALYSIS

During Fiscal Year 2003-04, the Council authorized a cost-of-service study to be undertaken, and one of the areas reviewed was the Building Division. The cost-of-service study established the development review support time provided by other divisions of the Community Development Department as well as other City departments and the methodology for calculating the total cost of that support. These cost of services, along with the direct costs, and the Building Division's share of City-wide expenses, such as Compensated Absences, Equipment Replacement, Liability Insurance and Retirees' Health Insurance, are the total costs associated with providing building services and should be matched against the revenues collected.

Building fees are paid when plans are submitted for review or the construction permit is issued. Costs for these services are incurred when plan review is performed, and costs for inspection services extend over the duration of construction. When revenues are recognized in one year and costs are incurred in another, it can appear that revenues exceed the cost of service. Charges for service are required to not exceed the cost of providing a service, and service fees must be used for the purpose they are paid.

Revenues, expenditures and balances for building activity follow (amounts in thousands):

	2004-05 Audited	2005-06 Adopted	2005-06 Estimated	2006-07 Recommended*
Revenues	$3,336	3,000	4,865	3,390
Expenditures:				
Direct Expenditures	1,569	1,879	2,092	2,373
Other Department Support and Overhead	779	830	842	1,017
Total Expenditures	2,348	2,709	2,934	3,390
Operating Balance	988	291	1,931	-0-
Beginning Balance	153	1,141	1,141	3,072
Ending Balance	$1,141	1,432	3,072	3,072

* Includes the Fiscal Year 2006-07 recommendations totaling $614,000 detailed in the Recommendations by Department section of the report.

Based on the anticipated development activity, revenues for the upcoming fiscal year are recommended to increase $390,000 over the current fiscal year adopted budget to $3.4 million. Revenues are recommended to be used to fund the expenditures discussed in the Recommendations by Department section of the report. If development activity exceeds this anticipated level, staff will notify Council regarding the amount of supplemental funds required to match fluctuations in demand.

Included in the recommended Fiscal Year 2006-07 operating expenditures is $949,000 for reimbursement of direct and indirect support provided by other divisions of the Community Development Department, other City departments and administrative support provided by General Operating Fund departments such as the City Manager's Office, City Attorney's Office, and Finance and Administrative Services. Also included in other overhead costs is $68,000 representing Building's contribution for Equipment Replacement, Retirees' Health, Liability Insurance and Compensated Absences. The other department support and overhead contributions will be a reimbursement to the General Operating Fund.

Building activity is estimated to end the current fiscal year with $1.9 million of revenues over expenditures for a total balance of $3.1 million. A significant portion of this balance will be used to fund expenditures in next fiscal year related to revenues received in the current fiscal year. As noted above, these funds will be segregated for future building inspection needs and, therefore, will not become part of the General Fund carryover balance.

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530-03-21-06A^

Attachment B

SUBJECT: RECOMMENDED FEE MODIFICATIONS

INTRODUCTION

In Fiscal Year 2003-04, staff completed a cost-of-service study which calculated the cost of providing many City services. In order to continue to recover the increasing cost of providing these services, fee increases are necessary. As part of the annual budget process, departments review their fees and recommend applicable modifications.

If there are any new services provided that generally benefit a particular segment of the population versus more global services that generally benefit the entire community, a fee is calculated and recommended to Council for adoption.

BACKGROUND AND ANALYSIS

The recommended fee modifications by department are presented in the remainder of this attachment. Each service is listed along with the current fee, recommended fee and fee basis. A summary of each department's recommendations is included below:

Community Development

The majority of the Community Development fees recommended for modification are based on the cost of City staff providing the service. These fees are recommended to be increased by the 3.0 percent cost-of-living adjustment (COLA) increase to salaries that was effective July 1, 2005. Agenda and minutes subscriptions are recommended with a 1.1 percent Consumer Price Index (CPI) increase, reflecting the June 30, 2005 CPI. The Planning hourly rates were updated using current costs, based on the methodology established in the cost-of-service study.

Community Services

In Fiscal Year 2003-04, Recreation programs were reviewed as part of the cost-of-service study. Upon completion of the study, Council directed staff to increase Recreation program fees annually by CPI, rounded to the nearest 25 cents. In the subsequent fiscal year, Council modified this direction by allowing rounding to the nearest dollar for certain fees.

A new fee called Internet Transactions for on-line registration of classes is recommended to be implemented once the on-line registration system for Recreation classes is operational.

Fire

The emergency response reimbursement fees have not been updated for several years. This recommendation reflects the current cost of the positions providing this service. The remainder of the recommended fees have been increased by the June 30, 2005 CPI of 1.1 percent.

Library Services

A new fee is recommended to recoup the direct cost of hourly assistance provided for classes held by outside groups in the new Training Center.

Public Works

The majority of the Public Works fees recommended for modification are based on the cost of City staff providing the service or, in some cases, the current cost of construction. These fees are recommended to be increased by the 3.0 percent COLA increase to salaries that was effective July 1, 2005. The Street Improvement fees have been modified by the 3.0 percent increase in the Construction Cost Index.

HMA/5/BUD
530-03-30-06A-B^

Name of Fee	Current Fee	Proposed Fee	Fee Basis
COMMUNITY DEVELOPMENT[1]			
Agenda and Minutes Subscriptions:			
EPC Staff Reports	$275	$278	Annual
EPC Agendas	$137	$139	Annual
EPC Minutes	$137	$139	Annual
DRC Agendas	$54	$55	Annual
DRC Minutes	$59	$60	Annual
ZA Agendas	$59	$60	Annual
ZA Minutes	$54	$55	Annual
Alcoholic Beverage License (Public Hearing, ZA Review)	$1,170	$1,206	Fixed
Cellular Antenna	$3,389	$3,491	Fixed
Conditional Use Permit (CUP):			
Child-Care Center	$119	$123	Fixed
Family Child-Care Center	$63	$65	Fixed
Modification	$1,694	$1,745	Fixed
New	$1,694	$1,745	Fixed
Nonprofit Housing Needs, Meal and Similar Programs Operated by Nonprofit	$63	$65	Fixed

Name of Fee	Current Fee	Proposed Fee	Fee Basis
Design Review:			
Less Than 2,000 Square Feet	$585	$603	Fixed
Greater Than 2,000 Square Feet			
Housing Less Than or Equal To One Acre	$1,524	$1,570	Fixed
Housing Greater Than or Equal To Two Acres and All Other	$2,033	$2,094	Fixed
Child-Care Centers	$67	$69	Fixed
Major Floor Area Ratio Exception in R1 District	$2,434	$2,507	Fixed
Minor Setback and Floor Area Ratio Exception in R1 Districts	$1,170	$1,205	Fixed
New Construction/Additions on R1 Lots Less Than 5,000 Square Feet or Less Than 40' Wide	$955	$984	Fixed
Structures on New Standard Subdivisions of Five or More Lots	$2,618	$2,697	Fixed
Use Changes and Fences	$462	$476	Fixed
General Plan Amendment	$5,360	$5,521	Fixed
Heritage Tree Removal Permit	$462	$476	Fixed
Housing Impact Fees:			
Office/High Tech/Industrial—			
First 10,000 Square Feet	$3.14	$3.18	Square Foot
10,000+ Square Feet	$6.27	$6.34	Square Foot
Hotel—			
First 25,000 Square Feet	$1.05	$1.06	Square Foot
25,000+ Square Feet	$2.09	$2.11	Square Foot
Retail Commercial/Entertainment—			
First 25,000 Square Feet	$1.05	$1.06	Square Foot
25,000+ Square Feet	$2.09	$2.11	Square Foot

Name of Fee	Current Fee	Proposed Fee	Fee Basis
Initial Study/Environmental Review:			
Compliance Letter	$209	$215	Fixed
Initial Study	$2,612	$2,690	Fixed
Lot Merger	$666	$686	Fixed
Lot Line Adjustment	$647	$666	Fixed
Parcel Map:			
Housing Less Than or Equal To One Acre	$1,282	$1,320	Fixed
Housing Greater Than or Equal to Two Acres and All Other	$1,710	$1,761	Fixed
Tentative Map:			
Housing Less Than or Equal to One Acre	$1,910	$1,967	Fixed
Housing Greater Than or Equal to Two Acres and All Other	$2,546	$2,622	Fixed
Mobile Home Park Permit:			
Major Modification (ZA Review)	$1,339	$1,379	Fixed
Minor Modification (DRC Review)	$670	$690	Fixed
New Construction ZA Review	$2,679	$2,759	Fixed
Planned Community Development Permit (PCP):			
Architectural Review/Minor Modification (DRC Review)	$1,971	$2,030	Fixed
Code Compliance Review	$678	$698	Fixed
Major Modification (ZA Review)	$3,081	$3,173	Fixed
New Construction (ZA Review)—			
Housing Less Than or Equal to One Acre	$2,357	$2,428	Fixed
Housing Greater Than or Equal to Two Acres and All Other	$3,143	$3,237	Fixed

Name of Fee	Current Fee	Proposed Fee	Fee Basis
New Construction (ZA and CC Review)—			
Housing Less Than or Equal to One Acre	$4,667	$4,807	Fixed
Housing Greater Than or Equal to Two Acres and All Other	$6,222	$6,409	Fixed
Provisional Uses	$2,649	$2,728	Fixed
Use Changes (ZA Review)	$1,294	$1,333	Fixed
Planned Unit Development (PUD):			
Major Modification (ZA Review)	$2,403	$2,475	Fixed
Minor Modification (DRC Review)	$1,294	$1,333	Fixed
New Construction (ZA Review)—			
Housing Less Than or Equal to One Acre	$3,003	$3,099	Fixed
Housing Greater Than or Equal to Two Acres and All Other	$4,005	$4,125	Fixed
New Construction (ZA and CC Review)—			
Housing Less Than or Equal to One Acre	$4,113	$4,236	Fixed
Housing Greater Than or Equal to Two Acres and All Other	$5,484	$5,649	Fixed
Planning Hourly Rates:			
Associate Planner	$105	$110	Hourly
Principal Planner	$139	$150	Hourly
Clerical	$59.50	$67	Hourly
Precise Plan:			
New/Major Rewrite	$10,166	$10,471	Fixed
Minor	$5,083	$5,235	Fixed
Sidewalk Cafés	$431	$444	Fixed

Name of Fee	Current Fee	Proposed Fee	Fee Basis
Signs:			
Copy Change Only	$154	$159	Fixed
New	$215	$221	Fixed
Special Design District	$893	$920	Fixed
Street Plan Line Adoption or Amendment	$10,166	$10,471	Fixed
Temporary Use Permit (TUP):			
Nonprofit Housing	$63	$65	Fixed
Food	$215	$221	Fixed
Planning/Building Review	$215	$221	Fixed
Planning/Building/Police or Fire Review	$215	$221	Fixed
Planning/Building/Police/Fire/Code Enforcement Review	$215	$221	Fixed
Transit-Oriented Development:			
Major Modification (ZA Review)	$1,653	$1,703	Fixed
Minor Modification (DRC Review)	$877	$903	Fixed
New Construction (ZA and CC Review)—			
Housing Less Than or Equal to One Acre	$5,037	$5,188	Fixed
Housing Greater Than or Equal to Two Acres and All Other	$6,716	$6,917	Fixed
Variance:			
R1/R2	$1,078	$1,110	Fixed
All Other	$2,157	$2,222	Fixed
Zoning:			
Map Amendment	$6,494	$6,689	Fixed
Other Rezoning	$6,494	$6,689	Fixed
Text Amendment	$6,494	$6,689	Fixed

Name of Fee	Current Fee	Proposed Fee	Fee Basis
COMMUNITY SERVICES DEPARTMENT			
Recreation[2]			
Adult Sports Leagues:			
Basketball	$51.25	$51.75	Game
Coed Softball	$46.25	$46.75	Game
Flag Football	$51.25	$51.75	Game
Men's Softball	$51.25	$51.75	Game
Volleyball	$30.75	$31	Game
Forfeit Fee	$30.75	$31	Fixed
Amplified Sound Permit (Nonspecial Event)	$20.50	$20.75	Fixed
Aquatics:			
Lap Swim Pass—			
Resident	$46	$47	Pass
Nonresident	$56	$57	Pass
Master Swim Club—			
Resident	$15.50	$15.75	Month
Nonresident	$25.75	$26	Month
Recreation Swim Day Pass—			
Family (Nonresident)	$13.75	$13.75	Day
Recreation Swim Season Pass—			
Child	$35.75	$36.25	Pass
Adult	$46.25	$46.75	Pass
Family	$66.75	$67.50	Pass

Name of Fee	Current Fee	Proposed Fee	Fee Basis
Pool Rental	$51.25	$51.75	Hour
Lifeguards	$15.50	$15.75	Hour
Banners:			
Application	$20.50	$20.75	Fixed
Banner Hanging (Nonprofit)	$66.75	$67.50	Fixed
Banner Hanging (Event Outside Mountain View)	$298	$301	Fixed
Beer and Wine Permit	$41.25	$41.75	Reservation
Camps:			
Preschool	$4.20	$4.25	Hour
Classes:			
Preschool/PlaySchool	$4	$4.50	Hour
Tot Time	$4	$4.50	Hour
Deer Hollow Farm:			
School Year Classes—			
City of Mountain View Schools	$20.25	$20.50	Hour
Santa Clara County and MROSD Schools	$40.50	$41.25	Hour
Santa Clara County or MROSD Schools	$60.50	$61.50	Hour
All Other Schools	$80.75	$82	Hour
Summer Camps—			
City of Mountain View Resident	$108	$109	Week
Santa Clara County and MROSD Resident	$138	$140	Week
Santa Clara County or MROSD Resident	$169	$171	Week
Others	$200	$202	Week
Dog Classes, Shows, Rentals	$616	$623	Annual

Name of Fee	Current Fee	Proposed Fee	Fee Basis
Facility Reservations:			
Adobe Building—			
Monday–Wednesday All Others	$101	$102	Hour
Thursday–Sunday Mountain View Nonprofit	$151.50	$153	Hour
Thursday–Sunday Mtn. View One Time/Year	$75.75	$77	Hour
Special 8-Hour Weekend—			
Mountain View Nonprofit/CG	$505	$511	Hour
All Other	$1,010	$1,021	Hour
Adult Education—			
Evenings at All Locations	$19.50	$19.75	Hour Per Room
Barbeque Reservations (Group)	$46	$46.50	Section
Community Center Auditorium—			
Business or Resident	$72	$72.75	Hour
Mountain View Nonprofit/CG			
Friday Evening, Saturday and Sunday	$32.75	$33	Hour
Community Center Nonauditorium—			
Business or Resident	$32.75	$33	Hour
Mountain View Nonprofit/CG			
Friday Evening, Saturday and Sunday	$32.75	$33	Hour
Field Rentals:			
McKelvey and Crittenden/No Lights	$25.75	$26	Hour
McKelvey and Crittenden/Lights	$51.25	$51.75	Hour
Other	$32.75	$33	Day
Gardens:			
Willowgate Community Garden	$35.75	$36.25	Plot
Senior Center Garden	$10.50	$10.50	Plot

Name of Fee	Current Fee	Proposed Fee	Fee Basis
Internet Transactions:[3]			
Transaction Total—			
$0	N/A	$2	Fixed
$0.01–$149.99	N/A	6.5% + $0.50	% + Fixed (Min. $2)
$150–$499.99	N/A	3.5% + $5	% + Fixed (Min. $2)
≥ $500	N/A	2.5% + $10	% + Fixed (Min. $2)
Late Pickup	$5	$5.25	Fixed (15-Minute Increments)
Nonresident Fee	$10	$11.25	Fixed
Processing Fee:			
Registration/Transfers/Refunds/etc.	$5	$5.25	Fixed
Special Events:			
Permit Application	$67	$67.75	Event
Plaza Use Permit Application	$67	$67.75	Fixed
Sports Pavilion (WSC/MVSP):			
Auxiliary Room (Private/Nonprofit)	$46.25	$46.75	Hour
Auxiliary Room (Other)	$51.25	$51.75	Hour
Half Court (Resident/Nonprofit)	$30.75	$31	Hour
Main Floor (Resident/Nonprofit)	$61.50	$62.25	Hour
Main Floor (Other)	$72	$72.75	Hour
YMCA (Youth)	$17.50	$17.75	Hour
YMCA (Adult)	$25.75	$26	Hour

Name of Fee	Current Fee	Proposed Fee	Fee Basis
Shoreline Golf Links			
Powered Golf Car—Member Clubs[4]		$11	Fixed
Shoreline Park			
Boat Launch:[4]			
Sailboats		$5	Fixed
Others		$4	Fixed
FIRE DEPARTMENT			
Alarm (False Preventable)	$41	$42	3rd Alarm/180 Days
	$55	$56	4th Alarm/180 Days
	$69	$70	5th and Subsequent Alarm/180 Days
Emergency Response Reimbursement:			
Battalion Chief	$104	$119	Hour (1/2-Hour Increments)
Deputy Fire Marshal[3]	N/A	$107	Hour (1/2-Hour Increments)
Deputy Fire Marshal Overtime Rate	N/A	$128	Hour (1/2-Hour Increments)
Engine/Truck	$201	$240	Hour (1/2-Hour Increments)
Public Information Officer	$116	$117	Hour (1/2-Hour Increments)
Rescue Company	$128	$151	Hour (1/2-Hour Increments)
Engine Company Overtime Rate	100% of Cost (Maximum $208)	100% of Cost (Maximum $228)	Fixed

Name of Fee	Current Fee	Proposed Fee	Fee Basis
Extended Consultation/Preconstruction Conference	$88	$89	Hour
Fire Inspections:			
Monday–Friday, 7:00 a.m. to 6:00 p.m.	$88	$89	Hour
Monday–Friday, 6:01 p.m. to 6:59 a.m. and Saturday, Sunday, Holidays	$113	$114	Hour
Reinspections	$113	$114	Hour
Fire Safety Permits:			
Fire Prevention Bureau (Nonhazardous Materials Occupancy)	$134	$136	Annual
Hazardous Materials	$161	$163	Annual
Fire Protection System Maintenance:			
Required to be Tested on a Frequency of Less than One Year (waived if test completed within 30 days)	$88	$89	System
Required to be Tested on a Frequency of More than One Year and Less than Five Years (waived if test completed within 30 days)	$176	$178	System
Required to be Tested on a Frequency of Greater than or Equal to Five Years (waived if test completed within 30 days)	$264	$267	System
Deficiency Failed to be Corrected Within 30 Days	$88	$89	System
Fire Safety Facility Inspection:			
5,001–25,000	$150	$152	Square Foot
25,001–100,000	$625	$632	Square Foot
100,001–250,000	$1,750	$1,769	Square Foot
250,001–500,000	$3,750	$3,791	Square Foot
500,000+	$5,000	$5,055	Square Foot

Name of Fee	Current Fee	Proposed Fee	Fee Basis
Hazardous Materials:			
Plan Review/Inspection	$88	$89	Hour (2-Hour Min.)
Second and Subsequent Reinspections	$289	$292	Hour
After Hours or Weekend Duty—			
Monday–Friday 6:01 p.m. to 6:59 a.m. and Saturday, Sunday, Holidays	$109	$110	Hour (2-Hour Min.)
Hazardous Materials Permit for the Following Hazard Classes:			
Miscellaneous Hazardous Materials (Liquids, Solids)			
QR1	$100	$101	Annual
QR2	$125	$126	Annual
QR3	$150	$152	Annual
QR4	$175	$177	Annual
QR5	$200	$202	Annual
Combustible Liquids Flammable (Liquids, Solids, Nonflammable Gas)			
QR1	$100	$101	Annual
QR2	$150	$152	Annual
QR3	$200	$202	Annual
QR4	$250	$253	Annual
QR5	$300	$303	Annual

Name of Fee	Current Fee	Proposed Fee	Fee Basis
Corrosive (Gas, Liquids, Solids), Cryogen, Flammable (Gas), Explosives, Infectious Substances and Oxidizers (Gas, Liquids, Solids)			
QR1	$100	$101	Annual
QR2	$200	$202	Annual
QR3	$300	$303	Annual
QR4	$350	$354	Annual
QR5	$400	$404	Annual
Poisonous Materials (Solids, Liquids, Gas), Spontaneous Combustible Material (Solids, Liquids), Dangerous-When-Wet Materials (Liquids, Solids), and Organic Peroxides (Solids, Liquids)			
QR1	$100	$101	Annual
QR2	$200	$202	Annual
QR3	$300	$303	Annual
QR4	$400	$404	Annual
QR5	$500	$506	Annual
Radioactive			
QR1–QR5	$125	$126	Annual
Hazardous Materials Emergency Response	$88	$89	Hour
Underground Storage Tank Closure/Demolition	$176	$178	First Tank (2-Hr. Max.)
	$88	$89	Each Add'l Tank (1-Hour Max. Each)
Multi-housing:			
Reinspection	$80	$81	Hour
Valid Service Request	$64	$65	Hour

Name of Fee	Current Fee	Proposed Fee	Fee Basis
LIBRARY			
Training Center Support[3]	N/A	$60 $15	Fixed (4 Hours) Hourly (Add'l Hours)
PUBLIC WORKS DEPARTMENT[5]			
Street Improvements:			
Curb and Gutter	$22.74	$23.50	Linear Foot
Sidewalk	$7.09	$7.30	Square Foot
Driveway Approach	$7.79	$8	Square Foot
R1 and R2 Paving	$6.22	$6.40	Square Foot
R3 Paving	$7.12	$7.30	Square Foot
Major Street Paving	$7.69	$8	Square Foot
Street Lighting	$19.59	$20.20	Linear Foot
Street Trees	$8.77	$9	Linear Foot
Certificate of Compliance	$473	$490	Fixed
Encroachment Permit:			
Nonresidential	$1,339	$1,380	Fixed
Residential	$730	$755	Fixed
Temporary	$575	$595	Fixed
Debris Box	$77	$80	Fixed
Excavation Permit	$100/Hourly or 15% of Construction Cost	$103/Hourly or 15% of Construction Cost	Fixed Hourly or Percentage (3-hour minimum)
Hourly Labor Rate	$100	$103	Hourly

Name of Fee	Current Fee	Proposed Fee	Fee Basis
Lot Line Adjustment	$1,545	$1,590	Fixed
Map Checking:			
Final Map	$3,012	$3,105	First Two Lots
	+ $10 Per Lot	+ $10 Per Lot	Each Additional Lot
Parcel Map	$1,700	$1,751	Fixed
Right-of-Way Vacation	$1,050	$1,080	Fixed
Segregation of Assessment Districts	$1,530	$1,580	First Two Lots
	+ $134	+ $140	Each Additional Lot
Sidewalk Processing/Inspection:			
Residential	$2.25	$2.30	Linear Foot ($115 Min.)
Nonresidential	$200 + 5% Construction Cost	$205 + 5% Construction Cost	Fixed + Percent

(1) Planning fees have been modified to reflect the cost-of-living adjustment for staff providing these services.

(2) Staff was directed by Council during the Fiscal Year 2004-05 and 2005-06 budget processes to annually increase recreation program fees by the following methods:

- CPI, rounding to the nearest 25 cents, or to increase by a cumulative CPI increase for any fees which are not eligible on an annual basis. The June 30, 2005 CPI of 1.1 percent has been applied to any fees requiring an annual increase and a cumulative CPI to all other Recreation fees listed on this attachment.
- Lap Swim and Barbeque Reservations—Fees rounded to the nearest dollar.
- Larger Fees (more than $75)—Rounded to the nearest dollar as there is little revenue to be gained by rounding to a smaller amount.

(3) New fee.

(4) Included for the purpose of officially adding to the Master Fee Schedule.

(5) Public Works fees have been modified to reflect the current cost of construction and the increase in the cost of staff providing these services.

HMA/5/BUD/530-06-01-06T^

Attachment C

SUBJECT: FIRE FLEET REPLACEMENT STRATEGY

INTRODUCTION

In 1989, the City Council approved a strategy to replace the entire City Fire fleet of six fire engines and one ladder truck. The replacement fleet was delivered to the City in 1991 and is now at the end of its service life. Before advancing a recommendation to the City Council to replace the fleet in its entirety as was done in 1991, staff reviewed the replacement strategy to ensure it still makes sense 15 years later from the fire service, finance and maintenance perspective.

This report is a collaboration between the Fire, Finance and Administrative Services and Public Works Departments and is the joint recommendation of the three departments. As described below, the 1989 City Council strategy called the "Mountain View Plan" by other jurisdictions has served the community efficiently and cost-effectively over the past 15 years. It is recommended to continue with the 1989 replacement approach and proceeding with actions to replace the fleet as soon as possible.

BACKGROUND AND ANALYSIS

During Fiscal Years 1988-89 to 1989-90, City staff conducted research and analysis of the existing Fire fleet, then comprised of six fire engines and two ladder trucks. The fleet, at that time, was an assortment of apparatus ranging in age, mileage, manufacturer and reliability. It was difficult to train, operate and maintain a fleet with different engine types, body and frame dimensions, electrical systems and types of water pumps. A major concern was that the older apparatus were less reliable than the newer apparatus. The study conclusion was that it was an inefficient and expensive way of doing business, and it would be cost-effective to replace the entire fleet of engines every 15 years to avoid higher maintenance costs and realize higher trade-in values. The City Council approved the replacement plan in 1990.

The replacement fleet of six fire engines and one ladder truck have performed very well, and the City has not had to replace any of the six original engines for the past 15 years. Fire Station No. 5 opened in 1999, and the City purchased an additional fire engine in 2000.

If the City did not replace all six fire engines and ladder truck in 1991 for $1,950,000, the apparatus would have been replaced incrementally with substantial staff time and effort to develop multiple budget justifications, specifications, bid packages, project award and to oversee the construction and delivery of the apparatus. Also, as the cost of the fire apparatus has been increasing at an estimated rate of 5 percent annually, there would not have been any substantial cost savings in prolonging or postponing the purchases.

Operational Considerations

Due to the high degree of reliability needed for emergency response vehicles, all seven existing engines rotate into the five front-line positions on a routine basis to establish a consistent baseline of mechanical reliability of all engines. This concept also averages the mileage and depreciation across the entire fleet. The two fire engines not used for front-line status are frequently used when other engines are out of service for maintenance and repairs. They are also used during emergency recall of personnel for greater alarm fires in Mountain View, neighboring cities within Santa Clara County or in accordance with the State of California Master Mutual-Aid Plan.

Prior to purchasing the new fleet in 1991, the Fire Department categorized fire apparatus as either a "Front-Line" or a "Reserve." Newer apparatus was used solely for daily emergency service until mileage and condition warranted replacement with new apparatus. Old equipment was then transferred to a reserve status where it was used as backup equipment or during large emergencies or disasters.

In this scenario, reserve apparatus experienced a higher degree of mechanical problems and failures, and was not reliable during its infrequent, although critical, use. The department's current philosophy of rotating all engines into front-line status ensures the same preventative maintenance program and operational condition of all the engines at any emergency scene, thus giving the community a higher degree of service. By doing so, the City has prolonged the service life of the entire fleet. The consultants have confirmed that the City's philosophy of rotating reserves is the most efficient use of the apparatus. Although the engines have been very reliable, maintenance and major repair costs are escalating and will increase substantially in the future. Additionally, there have been significant enhancements in technology made by the fire apparatus industry in recent years resulting in safer and more efficient fire apparatus.

The following are some of the justifications presented to the City Council in 1990 that are still valid for our operational needs today:

1. By having a uniform apparatus fleet all having the same size, shape, weight and operational characteristics, reduces the potential for driving accidents and personal injuries.

2. A fleet of uniform fire apparatus from the same manufacturer allows Firefighters and mechanics to achieve a greater degree of operational and mechanical knowledge about the apparatus. A more comprehensive preventative maintenance program is possible, reducing the amount of overall downtime for the apparatus and increasing the number of fire apparatus available for emergency use.

3. To increase operational efficiency in the field responding to and operating at emergency incidents by having uniform apparatus.

4. To reduce the number of training hours required for driving, pumping and equipment operations certifications.

5. To lower the purchase price of each vehicle by negotiating a fleet discount from the manufacturer (5 percent).

6. To reduce the amount of administrative and personnel staff hours every two to three years in the budget, design, construction, acceptance and training processes.

7. To achieve better conformity of the entire fleet in regard to governmental regulations and standards as they pertain to fire apparatus.

Fleet Replacement Guidelines of Local Fire Agencies

To put the "Mountain View Plan" into context, staff surveyed the replacement approaches of other local fire agencies with similar size fleets and operational missions to Mountain View. The overall goals for the front-line service life for apparatus in the Cities of Palo Alto, Redwood City, Milpitas, San Mateo, Santa Clara and Sunnyvale, and South San Mateo County (Belmont/San Carlos), are 12 to 20 years, with 15 years being the predominant life with the exception of Sunnyvale at 20 years and South San Mateo County at 12 years for engines. Actual replacement timelines of specific apparatus vary depending on mileage and individual repair costs.

The above communities, with the exception of Sunnyvale, are consistent with National Fire Protection Association (NFPA) fleet replacement standards and considered the best practice in regard to engine and truck replacement policies. None of the fire agencies listed above are able to replace all of their fire apparatus every 15 years. In the past, fire agencies have purchased their fire engines and trucks incrementally as their jurisdictions have grown geographically and new fire stations were added. Replacement schedules were generally based on when each individual fire engine or truck was too expensive to maintain for reliable emergency response.

The fleet replacement concept that Mountain View has followed has been found to be both an efficient and cost-effective way to replace fire apparatus. It is believed by staff that similar-size agencies are unable to follow such a practice due to the inability to align the replacement of the entire fleet because of the necessity of replacing aging equipment and limited funding mechanisms. We have concluded from our studies, both in 1990 and 2006, that the "fleet" replacement strategy is the most efficient and cost-effective practice for the City.

SAFETY, CONDITION AND MAINTENANCE OF THE EXISTING FLEET

Condition of Existing Equipment and NFPA Compliance

An independent consultant was contracted by the City to evaluate the operational condition of our existing fleet of seven fire engines and one ladder truck. The consultant, Bob Barraclough with The Best Fire Apparatus Resource, Inc., is regarded as a subject-matter expert in the fire apparatus industry, who consults with fire agencies on apparatus issues and participates in the NFPA fire apparatus regulations. The consultant inspected the Fire Department's apparatus and submitted his full report in detail. The executive report summary is included here as Exhibit 1.

Maintenance Costs and Savings from Purchase of New Vehicles

The current fleet has been extensively maintained, has performed reliably and is in adequate operating condition. However, due to the age of the six oldest engines and ladder truck, industry standards project major repairs and rehabilitation to maintain a viable fleet. In the last three years, in-house staff and contractors performed three minor in-frame vehicle engine repairs, and at least two engine repairs are pending. In addition, pumps and plumbing on several fire engines will likely require overhauling in the next year.

It is impossible to forecast when additional major repairs will be required. Consultant evaluations of the existing fleet (Exhibits 1 and 2) indicate that numerous repairs are pending and, based on the age of the City's fire engines, major repairs may be necessary at any time. Anticipated repairs include overhauling vehicle engines, transmissions, suspensions and pumps; replacing water supply and discharge lines; rebuilding differentials and axles; repairing electrical systems; body work; and refurbishing worn upholstery. The estimated cost to perform a complete overhaul of the listed vehicle systems could range from $150,000 to $200,000 per fire engine. Major repairs also will increase the amount of time front-line fire apparatus is out of service, possibly requiring acquisition of reserve vehicles if repair time is lengthy.

Exhibit 3 illustrates estimated maintenance and repair costs for the current and proposed fleet of seven engines, assuming all engines will need substantial overhauls during the next 10 years. Staff estimates placing new fire engines in service in Fiscal Year 2007-08 will save approximately $325,000 of major repair expense in the following five years. Preventive maintenance expenses will also be reduced as the new fleet will require a lower level of ongoing maintenance than the existing fleet, saving an additional $125,000.

Exhibit 4 illustrates estimated maintenance and repair costs for the ladder truck and assumes the truck will need substantial overhauls during the next five years. Staff estimates placing a new truck in service in Fiscal Year 2007-08 will save approximately

$150,000 of major repair expense in the following five years. Preventive maintenance expense will also be reduced, saving an additional $85,000. Total estimated maintenance savings generated by replacing the seven engines and one ladder truck total approximately $685,000 in the five years following the arrival of the new vehicles.

Should Engine 7 Be Replaced Now or Later?

In 1999, Fire Station No. 5 was opened and, soon after, the City purchased Fire Engine No. 7 to augment the fleet. It was decided by staff that in order to keep five front-line fire engines ready for emergency service at all times, it was necessary to continue the practice of having two reserve fire engines.

Although Engine No. 7 will be only seven years old at the time of replacement, it is a considerably higher market value on consignment than the other engines. Also, since the replacement apparatus will go out to open bid, there is a distinct possibility that the new apparatus will be from a different manufacturer than Engine No. 7 (Seagrave), causing maintenance and operational issues by owning dissimilar apparatus. This situation is very similar to what occurred in 1990. At that time, the newest apparatus in the fleet was a 1984 West States model fire engine. After analyzing the question of its replacement, it was decided by staff to replace this fire engine for the same reasons listed previously in this report.

FINANCIAL CONSIDERATIONS

Cost Savings for One-Time "Fleet" Purchase

The estimated cost of purchasing seven fire engines at $425,000 each and one ladder truck at $750,000 is approximately $3,725,000. Based on preliminary conversations with apparatus manufacturers, the above estimate includes a cost savings of approximately $150,000 (5 percent) if all seven engines are ordered concurrently. The payment schedule would be 50 percent at time of order and 50 percent at time of delivery. With the trade-in value of the existing fleet, staff estimates there is sufficient funding available in the Equipment Replacement Fund to fund the replacement of the full fire apparatus fleet at this time. The expected 2007 consignment value for the existing fleet of apparatus through an apparatus broker is $497,000.

Because of the time it takes to write apparatus specifications, the purchasing process, construction and in-service training, it is anticipated it will take approximately 18 months before any new fire apparatus will be ready for front-line use. Thus, with the approval of this replacement proposal, it is estimated our current fleet of six original engines will see 17 years of front-line service, two years more than the original replacement plan provided for.

CONCLUSION

The City of Mountain View is in the enviable position to purchase, maintain and operate its Fire fleet more efficiently and cost-effectively than most similar-sized jurisdictions because of the strategy adopted by the City Council in 1990 to standardize the age and design of the fleet and to incrementally set aside the fleet replacement cost in the Equipment Replacement Fund. The fleet standardization plan has worked well from a training, operational and maintenance perspective, enabling the City to achieve greater operational efficiencies than agencies with diverse fleets. We believe this practice should be continued and recommend that the City initiate the Fire fleet replacement process as soon as possible to take advantage of the discount associated with ordering multiple units, maximize resale value of the existing fleet and hopefully, avoid the cost and disruption from major breakdown of the existing apparatus.

MAR/8/BUD
192-03-16-06A^

Exhibits:
1. Consultant's Report
2. Evaluation of Existing Fleet
3. Annual Maintenance Expenses for Seven Engines
4. Annual Maintenance Expenses for Ladder Truck

The *Best* Fire Apparatus Resource, Inc.

November 1, 2005

Battalion Chief Steven Hawkes
Fleet Manager J. Steve Miller
City of Mountain View
231 N. Whisman Road
Mountain View, CA 94043

Gentlemen:

Thank you for the opportunity to evaluate the engines and the truck of the Mountain View Fire Department. I appreciated the excellent cooperation from all the folks at fleet services. Overall, I found your apparatus to be in good condition for 1990 vintage vehicles.

I. Executive Summary: I am recommending that all Seagrave apparatus be replaced with new apparatus meeting the requirements in NFPA 1901 – 2003 edition. My reasons are as follows:

Many changes, especially safety related ones, have been made to the National Fire Protection Standard for Apparatus (NFPA 1901) since your units were produced. In addition, Annex "D" of 1901 recommends that only vehicles produced to the 1991 or later versions of NFPA 1901 or those refurbished in accordance with NFPA 1912, be in first line service.

Since only one of your pumpers (Unit 290) meets these criteria, you should replace or refurbish all remaining units as soon as possible. The proper refurbishment of the apparatus to bring them up to current Standards (more than just a paint job) could easily cost over $100,000 per unit. For 1990 apparatus, this is not a cost effective proposition I could or would recommend.

II. The following are some of the items specified in the current NFPA 1901 Standard (2003 version) that are not on your 1990 apparatus. They are in order as they appear in 1901. Note: Engine 290 has some, but not all, of the items on this list:

All Pumpers and the Truck:

- No plate in the cab indicating the height, length and GVWR visible to driver
- No plate in cab indicating type and location for all fluids
- Reflective material not on inside of cab doors
- Reserve capacity of electrical system not documented
- Load manager not provided
- Warning lights exceed maximum of 45 amps & do not meet current requirements
- All wheel anti-lock braking system not provided
- Alternator full capacity not tested or documented.
- Electrical load analysis not provided
- Maximum cab occupants sign not provided
- Red seat belts not provided
- "Seat Belts Required" sign not visible to all occupants

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III. In consideration of the preceding information, I offer the following recommendations:

1. **All 1990 pumpers and the truck should be replaced as soon as possible.**
   a. They are beyond the NFPA recommended service life for first line vehicles.
   b. The mileage and frequency of repair would indicate that major repairs would soon be required for all engines except engine 290, which is a 2000 model.
   c. There are a significant number of items (particularly safety related) that are not included on the current pumpers and the truck.
   d. Refurbing these units to meet the current 1901 requirements in an attempt to gain an additional few years of service life and, would be cost prohibitive.
   e. Selling these vehicles now could yield a good return for the City.
   f. By purchasing now, you could get pre-2007 power plants, avoid the extra expense and the possible increase in wheelbase for the new rigs. For your information, there are significant EPA changes coming for power plants (engines) in 2007. Preliminary indications are that the installation of compliant engines will require a redesign of the cabs due to increased cooling requirements. The word from apparatus manufacturers is that this will result in an increase in price and the size of the apparatus.

2. **Further, I also recommend that engine 290 be replaced.**
   a. This will ensure that all first line engines are identical.
   b. The criteria used by Mountain View when purchasing the 1990 units (having the drive trains, cab and body manufacturer the same) has obviously worked well for the City, the firefighters and the maintenance folks. I see many benefits of continuing this strategy with the purchase of new units.
   c. Engine 290 will bring a good sale price due to its age and condition.

3. **One note of caution, I did note that the truck's tiller axle is rated for 22,000 pounds and it is loaded to 23,770 pounds. This situation could cause problems for the City in case of an accident.**

IV. If you choose, I would be happy to work with you on the specifications for new units, to ensure they include the latest and greatest safety options for the "troops."

I thank you for the opportunity to conduct the evaluation and offer my recommendations. If you have any questions, please do hesitate to contact me.

Sincerely,

Bob Barraclough

The Best Fire Apparatus Resource, Inc.
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Exhibit 2

FireTrucks Plus

January 16, 2006

Mountain View Fire Department
Attn: City Council
1000 Villa Street
Mountain View, CA 94041-1238

Gentlemen:

Thank you for giving Fire Trucks Plus the opportunity to inspect and evaluate your 2000 Seagrave Pumper, 1991 Seagrave 110' Tractor Drawn Aerial, and 1991 Seagrave pumpers. In assessing your fleet, we employed several methods. First, we performed a California Department of Transportation (DOT) Inspection on each vehicle. In this inspection we checked the engine and cooling systems, transmissions, u-joints, drivelines, differentials, brakes, steering, suspension, air conditioning/heating, batteries, alternators, belts, tires, generator, auxiliary lighting and power systems, pumps and pump transmissions of each unit. We also tested the emergency, interior, and vehicle running lights, and looked for any component leaks. On the pumpers, we performed a vacuum test to measure the pumps' capabilities. On the tractor drawn aerial, we inspected the operation of the ladder device and outriggers and looked for any cracks, rust or damage. Second, we took oil samples on the main components of each truck, including the engine, transmission, pump transmission, and differential. These samples were sent to a licensed third-party laboratory for analysis. Such tests can often diagnose internal problems that are not always apparent upon visual inspection. Finally, we did photo documentation and compiled a specification sheet listing the make, model, year, vehicle identification number, dimensions, mileage, component hours, and standard and special equipment on each vehicle. The results of these tests, along with the photographs and specifications are presented within this package.

Fire Trucks Plus has been in the business of buying and selling used fire apparatus for over 25 years, and in this time we have performed inspections on and repaired thousands of trucks. In our experience, we have seen very few fire departments with maintenance programs that are as excellent as yours. We were very impressed with the condition of your trucks, and considering their age, this is one of the best fleets we have inspected.

The outstanding condition of your apparatus can be attributed to several things. First, Seagrave is an excellent brand. They are one of the best manufacturers of fire apparatus in terms of quality. Second, the layout of the trucks was well planned and very practical. Because their specifications are alike, it makes the maintenance of them easier. It takes less manpower, less downtime, and a smaller inventory of parts to make repairs on such a

FireTrucks plus

January 16, 2006

Mountain View Fire Department
Attn: City Council
1000 Villa Street
Mountain View, CA 94041-1238

Gentlemen:

It was my pleasure to inspect your department's 2000 Seagrave pumper, 1991 Seagrave pumpers, and 1991 Seagrave 110' Tractor Drawn Aerial on December 17th and 18th. The officers and personnel at every station were very accommodating, and we were very appreciative of their assistance as we examined each truck. The stations were very clean and well maintained, and we were quite impressed with your apparatus.

Your trucks are in excellent condition, and in comparing them with other apparatus we have inspected of the same vintage, with similar specifications and comparable usage, they are in the top 5%. I attribute their superior condition to three factors. First, Seagrave Manufacturing builds one of the best fire apparatus in the industry. The quality of the craftsmanship that goes into each unit that Seagrave produces makes them strong and durable. This observation is based on my experience with used Seagrave apparatus and my recent visit to Seagrave's manufacturing plant. Second, your department's maintenance program is excellent. The records that have been kept on these units are outstanding. These records along with the appearance of the trucks are testament to the value that you put into maintaining your fleet. Third, the fire fighters who are driving the trucks everyday are doing so with care. This is evident in that there is very little body damage. With this combination, your department has kept your fleet in very good condition.

In inspecting your vehicles, I noticed several qualities common among them. First, aside from some minor damage attributable to everyday wear, the upholstery on most of the trucks was in very good condition. Also, the condition of the tires was uniformly good. Some departments tend to let the tire treads on their older apparatus get very thin, as replacing them is not always a high priority; however, this is not the case with your trucks. In addition, as we noted on the DOT inspection forms, the aluminum, tread plates, running boards, and fenders were in very good condition on the majority of your apparatus. Most fire trucks have normal body damage, but the personnel of your department have been conscientious about taking care of the exterior of your apparatus both through maintenance and responsible driving. Additionally, all of the engines pumped up to 22 in./lb, which is exceptional. Unfortunately, about half of them failed or

9020 Rancho Park Court, Rancho Cucamonga, California 91730
Toll Free (877) 397- 3875 Fire Apparatus and Equipment Sales Fax (909) 466-7459
www.firetrucksplus.com

FireTrucks plus

January 17, 2006

Mountain View Fire Department
Attn: City Council
1000 Villa Street
Mountain View, CA 94041-1238

RE: Values for the 1991 Seagrave Tiller, 2000 Seagrave Pumper and 1991 Seagrave Pumpers

Dear Gentleman:

Fire Trucks Plus is pleased to provide you with the values of your apparatus.

I am providing you with the retail, consignment and trade-in values for your records. These values are based on recent apparatus sold and values given to the departments for their surplus apparatus. The apparatus must meet our trade-in requirements in order for them to meet the values listed. I have attached a copy of those requirements for your review.

1991 Seagrave 110' Tractor Drawn Aerial – Truck 1

Retail value	$55,000.00
Consignment value	$35,000.00
Trade-in value	$20,000.00

1991 Seagrave Pumper – Engine 1

Retail value	$85,000.00
Consignment value	$65,000.00
Trade-in value	$40,000.00

1991 Seagrave Pumper – Engine 2 - Reserve

Retail value	$85,000.00
Consignment value	$65,000.00
Trade-in value	$40,000.00

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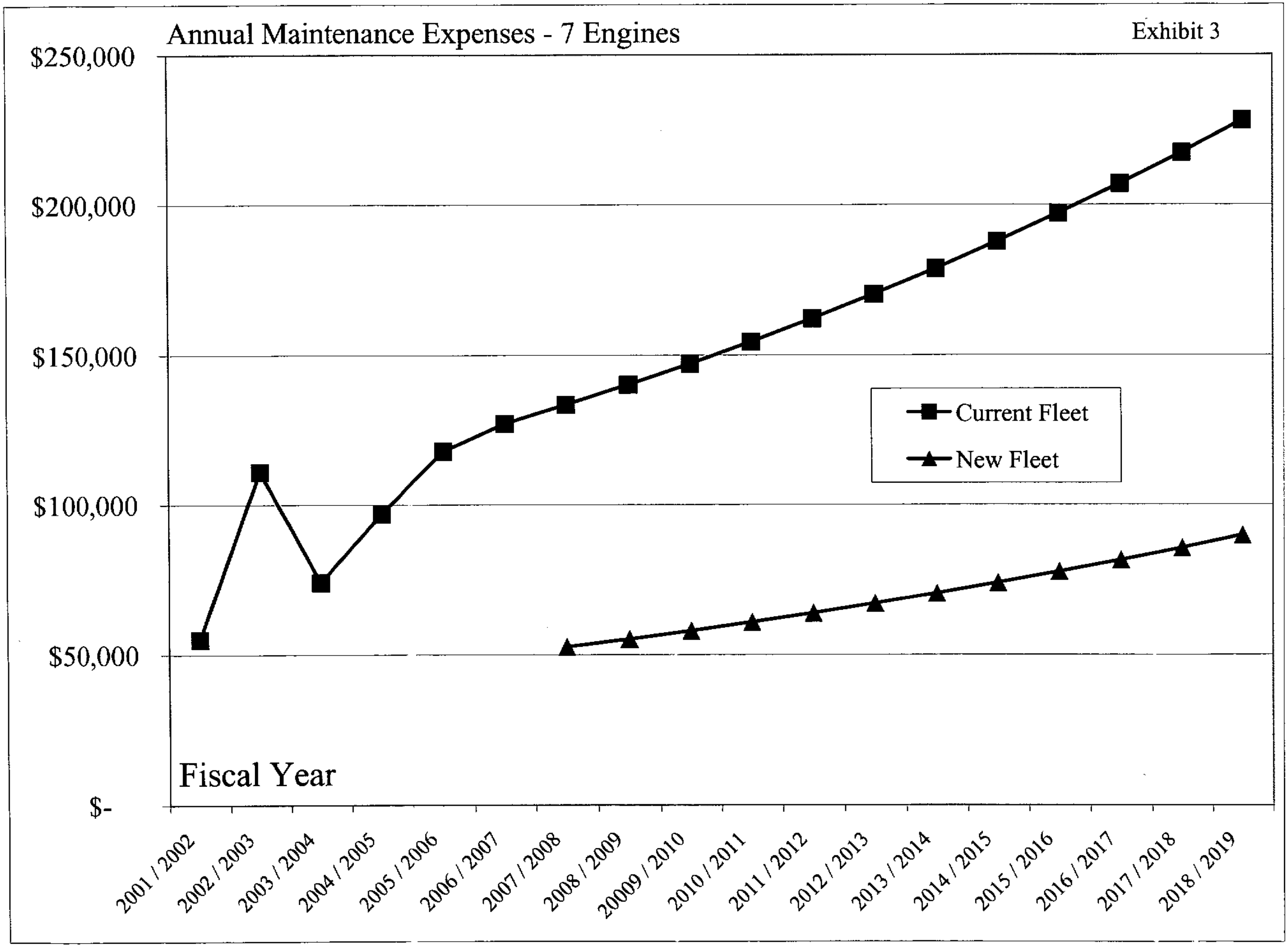
Annual Maintenance Expenses - 7 Engines
Exhibit 3
$250,000
$200,000
$150,000
$100,000
$50,000
$-
Current Fleet
New Fleet
Fiscal Year
2001 / 2002
2002 / 2003
2003 / 2004
2004 / 2005
2005 / 2006
2006 / 2007
2007 / 2008
2008 / 2009
20009 / 2010
2010 / 2011
2011 / 2012
2012 / 2013
2013 / 2014
2014 / 2015
2015 / 2016
2016 / 2017
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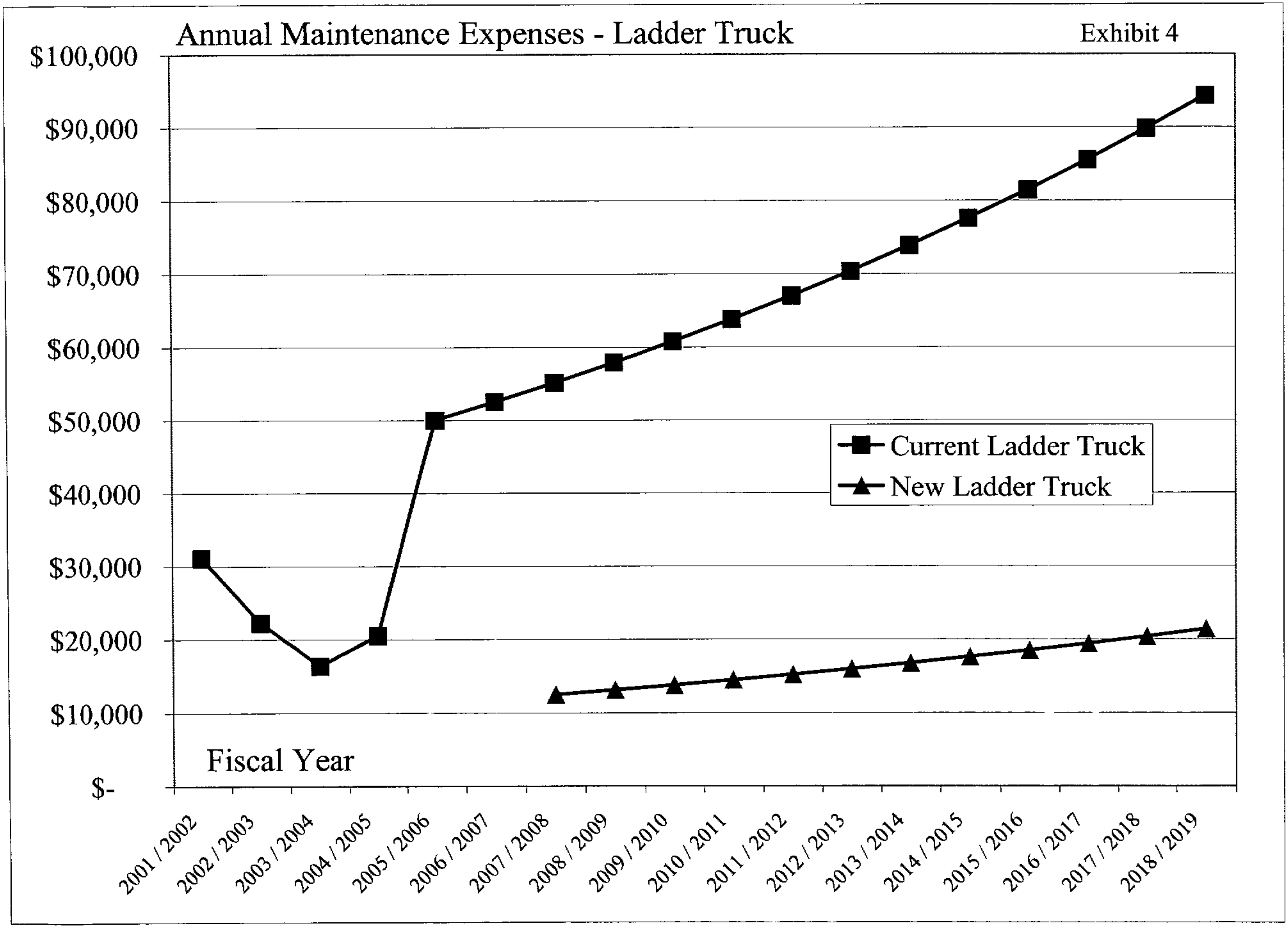
2018 / 2019


Annual Maintenance Expenses - Ladder Truck
Exhibit 4
$100,000
$90,000
$80,000
$70,000
$60,000
$50,000
$40,000
$30,000
$20,000
$10,000
$-
Fiscal Year
Current Ladder Truck
New Ladder Truck
2001 / 2002
2002 / 2003
2003 / 2004
2004 / 2005
2005 / 2006
2006 / 2007
2007 / 2008
2008 / 2009
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2011 / 2012
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2015 / 2016
2016 / 2017
2017 / 2018
2018 / 2019

Attachment D

SUBJECT: RETIREES' HEALTH INSURANCE PROGRAM

The City provides postemployment health care benefits to all employees (single coverage only) who retire (defined as activating their PERS pension at time of separation from the City) with the specified vesting requirement and are at least 50 years of age at retirement. Currently, the vesting requirements and percentage of payment by the retiree varies according to bargaining group. Upon retirement, an employee may select any of the health-care plans available to active employees and, upon turning 65 years of age, are required by the City to be covered by Medicare (the City pays for a portion of a Medicare supplemental plan) if they are eligible and, if not, remain in the City's health care plan.

The cost for employees who will retire in the future and those already retired represents an outstanding liability to the City. The City has been cognizant of that liability and set up the Retirees' Health Reserve in Fiscal Year 1992-93 for that purpose and has had actuarial studies done periodically to determine the liability at each point in time. The most recent actuarial study, completed in August 2005, calculates the City's outstanding actuarial accrued liability at $43.8 million, excluding the Retirees' Health Reserve assets ($13.2 million). The recognition of this liability in the City's financial statements has not been required in the past; however, the Governmental Accounting Standards Board (GASB) has issued Statement No. 45—Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions—effective for the City in Fiscal Year 2007-08. This statement will require employers to measure and disclose the annual costs of their other postemployment benefits (OPEB) and the employer's Annual Required Contribution (ARC) on an accrual basis. The ARC consists of the employer's annual required contributions for the fiscal year related to normal costs (annual actuarial cost of benefit for current employees) and the amortization of the unfunded actuarial accrued liability (UAAL).

While the liability has continued to grow exponentially, it should be noted the City has been ahead of most public agencies in both recognizing and valuing the liability by setting aside funds toward this obligation. Staff believes the current program structure is unsustainable due to a number of variables as follows:

- Increased cost of health-care premiums (absorbed primarily by the City);
- Continued growth in the actuarial accrued liability for every year that the ARC is not fully funded;
- Inclusion of additional employees that enter the City's workforce; and
- Ability of retirees to select the most expensive health care plan upon retirement.

It is clear that the City needs to address both the UAAL and the normal costs. Staff will be returning to Council with recommendations regarding the funding strategies for both of these.

For the past four fiscal years, to assist in balancing the budget, the interest earnings generated by the Retirees' Health Reserve funded the General Operating Fund's annual premium cost for retirees. As interest rates declined and health care premiums rose, the annual investment earnings on the reserve balance were insufficient to fund the General Operating Fund's obligation. Over the last couple of fiscal years, increased contributions from the General Operating Fund toward the annual premium costs and lump sum contributions from carryover balances have been added to the reserve in an effort to fully fund the pay-as-you-go premiums from the General Operating Fund. For Fiscal Year 2006-07, it is recommended that annual funding be increased by $500,000 to a total of $1.0 million to fund the General Operating Fund's annual pay-as-you-go obligation. This is well under what is necessary to fully fund the estimated ARC of $4.1 million or just the normal cost of $2.0 million. Increased annual and potential lump sum funding both from the General Fund and Special and Enterprise Funds (which have not made any contributions to the reserve to date) will need to be phased in along with other actions (that will be discussed with Council later in the budget process) in order to fully fund the City's UAAL and ARC.

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546-03-28-06A-E^

Attachment E

SUBJECT: DEVELOPMENT SERVICES—PLANNING AND LAND DEVELOPMENT ENGINEERING

INTRODUCTION

Development Services includes three distinct areas of operations: Building Services, Planning Services and Land Development Engineering Services. This memo addresses the Planning and Land Development Engineering functions of Development Services. These are the areas where the City reviews the developer's plans to ensure compliance with the City Code, City design standards and compliance with projects' conditions of approval for both the private development and any work within the public right-of-way before the development actually reaches the building stage. This is a complex, time-critical process leading to the drafting of the project conditions of approval. Typically, if requires multiple meetings with the developers, architects and engineers to review project submittals and achieve a project that meets the developer's objectives as well as City planning and engineering requirements.

BACKGROUND AND ANALYSIS

There are four categories Planning workload falls into: (1) administrative; (2) agency mandates; (3) City-initiated projects; and (4) private development applications. Only the private development category generates revenue and, as determined in the cost-of-service study, represents approximately 56 percent of total workload. The remaining 44 percent of workload is generated by activities such as staffing the public counter, Environmental Planning Commission (EPC) support, General Plan and data maintenance, and City-initiated projects. This remaining workload is ongoing and does not fluctuate significantly with development activity.

For Fiscal Year 2003-04, Council approved the concept of full cost recovery for certain development projects. Hourly fees were established, which included the cost of Land Development Engineering's (Public Works Department) part in the review process as well as overhead for other departments' support.

For the current fiscal year, Council approved an additional Planner position to address the volume of work generated by Council goals. Council also approved $276,000 for outside planning contracts to be fully cost-recovered with the development cost-recovery fees. It was staff's original intent for the outside planning contract to be dedicated to these fully cost-recovered projects; however, the reality is that it takes the experience of City staff to follow these projects through the development process. As a result, the contract planners are utilized to backfill City staff. For the current fiscal year, it is estimated that approximately 1.7 full-time-equivalent (FTE) City staff have been dedicated to cost-recovery projects.

For Fiscal Year 2006-07, staff is recommending the addition of one Senior Planner position to address the volume and complexity of current development activity. Staff is also recommending that 0.80 FTE of this planning position be tied to fully cost-recovered development and 0.20 FTE of the planning position be allocated to the Shoreline Regional Park Community in the cost allocation plan to recover the amount of time to be spent on development proposals in that area.

However, during this period of significant development activity, no additional staffing resources have been added to the Land Development Engineering Section to address the impact of this level and complexity of development activity, and this has resulted in a bottleneck in the development process. It is not possible to process this amount of development in a timely manner with the current staffing level. The Fiscal Year 2006-07 recommended budget includes the addition of one Senior Civil Engineer position to address these issues. Staff recommends that 10 percent of this position be allocated to the Utility Funds in the cost allocation plan to recover the amount of time spent reviewing utility infrastructure-related issues. Staff also recommends allocating the share of revenue related to Land Development Engineering that is recovered in the full cost-recovery hourly rates directly to fund this position. This is estimated to be $60,000 for the next fiscal year.

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541-03-23-06A-E^

Attachment F

SUBJECT: STREETS MAINTENANCE

INTRODUCTION

This memorandum evaluates the impact of previous staffing reductions on street maintenance and includes a request to add back one of the three eliminated Streets Maintenance Worker I/II positions. This would allow the reestablishment of a second maintenance crew, partially restoring previously reduced maintenance efforts.

FISCAL IMPACT

The annual cost to add a Streets Maintenance Worker I/II position is $80,500. With additional productivity, asphalt and other maintenance material expenses will increase by $40,000 for a total General Operating Fund budget increase of $120,500.

BACKGROUND AND ANALYSIS

During the recent economic downturn, positions allocated to streets core maintenance activity decreased from 12.0 in Fiscal Year 2001-02 to 6.95 in the current fiscal year, a reduction of over 40 percent (Exhibit 1). Staffing reductions included the Streets and Landfill Maintenance Manager, a Streets Supervisor, a Heavy Equipment Specialist (HES) and three Streets Maintenance Worker I/II (SMW) positions. Street resources were also allocated and charged to the Water and Wastewater Funds to clear a backlog of street repairs related to utility projects, and vacant positions were generally not filled. The City Council restored the HES position last year because sharing a single position between Landfill and Streets significantly compromised the effectiveness and productivity of both operations.

These reductions substantially decreased streets core maintenance activities, including crack sealing, asphalt repairs, pothole patching and temporary sidewalk repairs (Exhibit 2). The reduced level of maintenance will ultimately cause a decrease in the City's pavement quality index (PCI) and necessitate further increases in capital repair and maintenance expense. With current staffing, crew productivity is negatively impacted by changing priorities as crews are shifted between projects because there is not enough staff to run two crews concurrently. This is reflected in the year-to-year fluctuations of the core maintenance productivity measures.

Pavement work requires a crew of four (one SMW III and three SMW I/IIs). The current budget of two SMW IIIs and four SMW I/IIs is too small for two crews. If a SMW I/II position is approved, the new crew will concentrate on preparing pavement (grinding, excavation) for the pavement overlay crew increasing productivity and efficiency, and also focus on temporary sidewalk repairs and supplement crack sealing efforts. Exhibit 2 also projects the productivity gained by adding a new position. The current and recommended crew structure for Streets is shown on Exhibit 3.

CONCLUSION

The following factors will also improve productivity of the Streets operation:

1. The new full-time Heavy Equipment Specialist approved for this fiscal year and recently filled.

2. Pavement grinding equipment acquired in 2001.

3. Power paving equipment recommended to be acquired in Fiscal Year 2006-07.

4. Filling Streets Section vacancies.

5. Requiring contractors (instead of City staff) to perform preparation work for the annual CIP pavement overlay projects.

6. Less utility work involvement.

Adding a SMW I/II position, in combination with other productivity gains, will significantly increase the amount and quality of the maintenance of the street infrastructure. We will continue to assess the impact of the program changes to determine if the increase of one SMW I/II is sufficient or whether a second additional SMW I/II would be desirable.

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Exhibits: 1. Position Allocation by Fund
2. Major Streets Workload Measures
3. Recommended Streets Section Organization Chart

Exhibit 1

Position Allocation by Fund	**Fiscal Year 2001/02**		**Fiscal Year 2005/06**	
	General Fund	Other Funds	General Fund	Other Funds
Streets and Landfill Maintenance Manager	1.00	-	Deleted FY 03 / 04	
Streets Supervisor	1.00	-	0.40	0.60
Streets Supervisor	1.00	-	Deleted FY 03 / 04	
Heavy Equipment Specialist	1.00	-	0.70	0.30
Lighting and Traffic Technician	1.00	-	0.90	0.10
Streets Maintenance Worker III	1.00	-	0.68	0.33
Streets Maintenance Worker III	1.00	-	0.68	0.33
Streets Maintenance Worker III	1.00	-	1.00	-
Streets Maintenance Worker I/II	1.00	-	0.68	0.33
Streets Maintenance Worker I/II	1.00	-	0.98	0.03
Streets Maintenance Worker I/II	1.00	-	0.68	0.33
Streets Maintenance Worker I/II	1.00	-	0.68	0.33
Streets Maintenance Worker I/II	1.00		Deleted FY 02 / 03	
Streets Maintenance Worker I/II	1.00		Deleted FY 03 / 04	
Streets Maintenance Worker I/II	1.00		Transferred FY 04 / 05	
Streets Sweeper Operator	1.00		1.00	
Streets Sweeper Operator	1.00		1.00	
Total Positions	17		12	
Positions dedicated to infrastructure maintenance	12.00	-	6.95	2.65
			-42%	

MAJOR STREETS WORKLOAD MEASURES

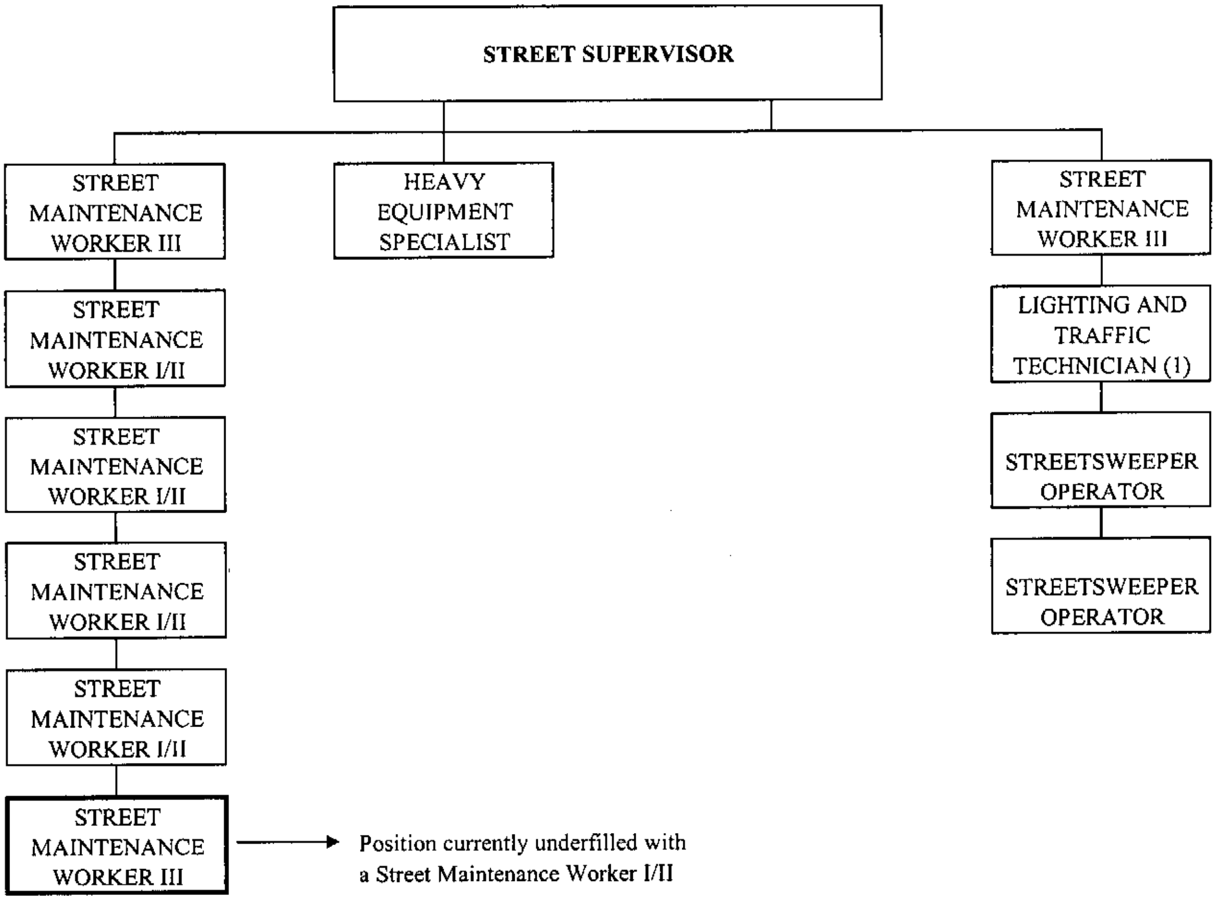
Exhibit 2

		Fiscal Year					
	Target	2001-02	2002-03	2003-04	2004-05	Estimated 2005-06	Estimated 2006-07 with 1 new SMW I/II
STREET MAINTENANCE **CORE ACTIVITIES**							
Crack sealing (lane miles)	**60**	20	60	15	10	25	50
Asphalt repairs (square feet)	**50,000**	65,000	56,600	45,000	35,000	40,000	50,000
Potholes patched	*	3,120	440	830	1,620	700	2,000
Temporary sidewalk repairs (number of locations)	*	4,590	1,240	7,190	390	800	1,100
OTHER ACTIVITIES							
Utility trench repairs (square feet)	**5,000**	12,100	6,500	7,200	3,500	3,000	3,000
Street signs services	**1,200**	2,390	1,880	1,120	860	1,100	1,200

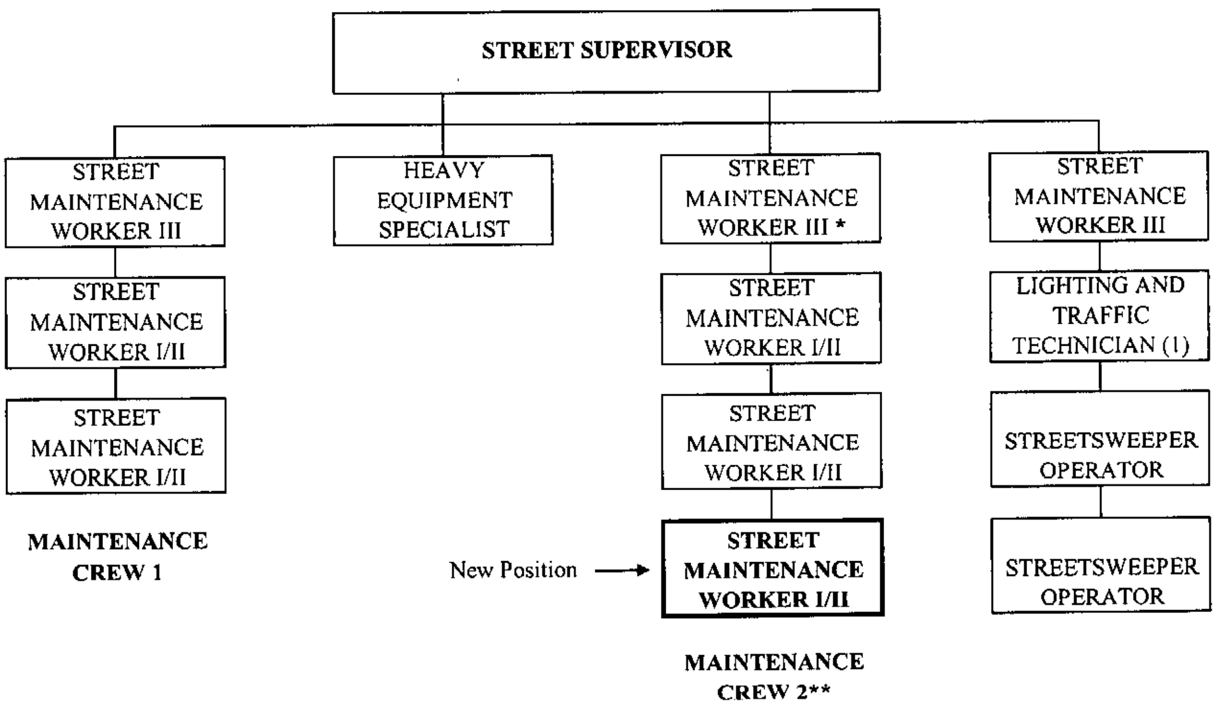
(*) No established standard or theshold set

CURRENT STREETS ORGANIZATIONAL CHART

Exhibit 3



PROPOSED STREETS ORGANIZATIONAL CHART



* Will also be responsible for managing contractors (painting/striping, tree trimming, and signs).

** Maintenance Crew 2 requires a 4th person to perform paving operations

Attachment G

SUBJECT: PARKS AND LANDSCAPE MAINTENANCE

INTRODUCTION:

Over the last four fiscal years, the Forestry and Roadway Landscape Division and the Parks Division have had reductions of approximately $743,000. These reductions came in the form of reduced seasonal labor for roadway landscape, reduced downtown maintenance and reduced parks maintenance. While these divisions have tried to maintain service levels, given the level of reductions made, there have been noticeable impacts to maintained areas.

BACKGROUND AND ANALYSIS:

The following is a prioritized list of requests that are needed to partially restore parks and landscape maintenance to acceptable levels:

Priority	Request	Amount
1.	Cuesta and Rengstorff Parks—400 Wage Hours	$ 7,860
2.	Roadway Landscape—500 Wage Hours	$ 9,820
3.	South Parks—400 Wage Hours	$ 7,860
4.	Parcel Landscape Contracts	$ 3,600
5.	Downtown—500 Wage Hours	$ 9,820
6.	Preemergent—Supplies	$ 4,000
7.	Downtown—Supplies	$10,000
8.	Athletic Fields—800 Wage Hours	$15,710
9.	Rengstorff Park—Supplies	$ 2,150

- <u>Cuesta and Rengstorff Park Wages and Supplies</u>:

  At Cuesta Park, the 200 additional wage hours will help fill in the gap between when the BBQ season officially starts May 1 and when people actually start using the BBQ grills and BBQ areas in April. This requires an increase in staff time to keep the area clean. Currently, hourly staff are only available to assist four days per week (two on the weekends and two during the week). With the additional wage funding, this coverage can be increased to five days. Since BBQ and tot lot maintenance are priorities, other infrastructure maintenance is deferred, such as irrigation adjustments and shrub pruning. Recently, there have been increased incidents of people sleeping in the overgrown bushes.

  At Rengstorff Park, the 200 wage hours will help provide labor resources for the BBQ areas similar to Cuesta Park and for turf maintenance and renovation. There has been a substantial increase in the use of the turf open areas for youth recreation and adult sports. Overall, the park and BBQ area will be maintained at a little higher level, including cleaner BBQ facilities and better conditioned turf to support the current demand for programs and activities.

- <u>Roadway Landscape Wages and Preemergent Supplies</u>:

  The David M. Griffith (DMG) report, completed in April 1999, indicated that the roadway landscape operation was adequately staffed. The report found that the staffing and productivity for medians and related areas, 220 square feet landscape area per person-hour, was approximately 10 percent above the industry standard of 200 square feet. DMG concluded that "the crew is appropriately staffed based on the scope of the facilities under maintenance and performing at productive levels but has no capacity for absorbing significant amounts of new facilities." Since the April 1999 report, the following median areas have been added with no additional labor allocations.

LOCATION	SIZE (square feet)
Maude Avenue/Middlefield Road at Highway 237	18,485
Moffett Boulevard	13,500
Shoreline Boulevard at Wright Avenue	28,000
Evelyn Avenue	32,670
San Antonio Circle	49,307
TOTAL	**141,962**

To help offset these impacts, supplemental (seasonal) labor was allocated to the operations. The additional labor resource is specifically directed at maintenance work that occurs during the spring and summer. This aids in reducing the impact of the spring/summer growing season and to maintain work production when employees are away on (summer) vacation. In Fiscal Year 2002-03, 1,000 wage hours (2 workers x 12.5 weeks) were budgeted for this operation. That funding was eliminated in Fiscal Year 2003-04 and only a small allocation of 155 wage hours has since been restored. To further assist in renovating medians and roadway landscaping, a biannual CIP was developed in Fiscal Year 2005-06 to replace dead landscaping and repair landscape irrigation systems. While the project will help restore median and roadway landscaping throughout the City on a systematic basis, it does not address ongoing maintenance.

The 500 hours of labor hours requested for the Forestry and Roadway Landscape maintenance program during the spring and summer months will help stabilize median trim cycles (currently between 2 and 2-1/2 times annually; still short of the goal of 3 times per year) and provide some additional resources for new roadway landscaping on Ellis Street and Evelyn Avenue. With the funding, medians will be less littered with trash and debris and will appear less overgrown and unkempt.

These hours will restore the maintenance program to 65 percent of its base—1,000 labor hours in Fiscal Year 2002-03.

- South Park Wages:

  Provides funding to clean neighborhood parks of broken glass, graffiti, garbage and litter and for weed control. This request also addresses concerns to control freestanding water for mosquito control (West Nile Virus). During the busy spring and summer seasons, provides for more frequent tot lot inspections and cleaning of sand areas for broken glass and animal fecal matter. Also, provides ongoing services to unclog and sanitize drinking fountains.

- Parcel Landscape Contracts:

  Of the $3,600 requested, $3,350 will restore maintenance services at unimproved City-owned parcels to ensure compliance with County Fire Code, and $250 will support a 3 percent COLA for the existing contract.

- Downtown Wages and Supplies:

  The additional wage hours requested will be used to provide weekend and late afternoon/early evening maintenance services. These services are currently being absorbed by 2.75 FTE of PWMs assigned to the downtown and the Work Furlough Program one morning each weekend. The additional wage hours will allow the weekday work shift to be slightly extended to include early evening debris and litter control and light cleaning and weekend services, including parking lot and breezeway maintenance. Additionally, it will significantly reduce the need for rotating staff from other operations and indexes (i.e., Forestry and Roadway Landscape section) to accomplish this work. There will be less trash and debris in the parking lots and on the streets and breezeways and downtown amenities, such as bus stops, seating areas and fixtures, will be generally cleaner. The labor hours will also be used to supplement ongoing landscape maintenance services such as trimming, pruning and replanting.

- Athletic Field Wages:

  This will provide an additional 400 hours of labor each for the North and South athletic facilities to specifically renovate turf play fields, recondition baseball and softball fields, and replace irrigation parts. Services include aerating, fertilizing, reseeding, painting and minor repairs to athletic facilities. The emphasis of work is to keep athletic facilities in safe condition for use and to prevent unscheduled closures of facilities for extended periods of repair.

LT/BUD/244-03-17-06A^